

**MIER LOCAL MUNICIPALITY**  
**INDEX TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2015

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**MIER LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2015

**REPORT OF THE CHIEF FINANCIAL OFFICER**

**1. INTRODUCTION**

It gives me great pleasure to present the Annual Financial Statements of Mier Local Municipality at 30 June 2015.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2012/13 financial period is set out in Directive 5 issued by the ASB on 11 March 2009.

The Statement of Financial Position at 30 June 2015 indicates an increase in Net Assets, an increase in Non-current Liabilities and a decrease in Current Liabilities.

The increase in Net Assets is ascribed primarily to the increase in Accumulated Surplus as a result of the surplus generated on the operating account. The increase in Non-current Liabilities is primarily as a result of the increases in Retirement Benefit Liabilities and Long-service Benefits. The decrease in Current Liabilities is primarily as a result of the decrease in Unspent Conditional Grants which is more than the increase in Payables.

**2. KEY FINANCIAL INDICATORS**

The following indicators are self-explanatory. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the municipality.

**2.1 Financial Statement Ratios:**

INDICATOR	2015	2014
Surplus / (Deficit) before Appropriations	6,914,930	7,258,610
Surplus / (Deficit) at the end of the Year	240,006,598	233,091,668
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	27.44%	26.49%
Remuneration of Councillors	5.46%	5.79%
Depreciation and Amortisation	21.55%	26.86%
Impairment Losses	2.04%	5.68%
Repairs and Maintenance	5.49%	3.03%
Interest Paid	0.20%	0.24%
General Expenses	35.28%	31.58%
Current Ratio:		
Trade Creditors Days	222	280
Debtors from Exchange Transactions Days	178	67

## 2. KEY FINANCIAL INDICATORS (Continued)

### 2.2 Performance Indicators:

INDICATOR	2015	2014
<b>Financial Position</b>		
Debtors Management:		
Outstanding Debtors to Revenue	25.00%	33.39%
Liquidity Management:		
Liquidity Ratio	0.06	0.34
<b>Financial Performance</b>		
Expenditure Management:		
Creditors to Cash and Investments	941.10%	113.10%
Capital Expenditure on Infrastructure to Total Capital Expenditure	82.15%	74.71%

A detailed ratio analysis, together with explanations, is included in Appendix "H".

## 3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results are included in Appendices "E (1), E (2) and E (3)".

The services offered by Mier Municipality can generally be classified as Rates and General, Economic and Trading Services and are discussed in more detail below.

The overall operating results for the year ended 30 June 2015 are as follows:

DETAILS	Actual 2014/15 R	Actual 2013/14 R	Percentage Variance %	Budgeted 2014/15 R	Variance actual/ budgeted %
<b>Income:</b>					
Opening surplus / (deficit)	233,091,668	200,027,877	16.53	305,085,572	(23.60)
Operating income for the year	41,046,701	35,187,555	16.65	47,539,650	(13.66)
	274,138,369	235,215,432	16.55	352,625,222	(22.26)
<b>Expenditure:</b>					
Operating expenditure for the year	34,131,771	27,928,945	22.21	29,880,490	14.23
Closing surplus / (deficit)	240,006,598	233,091,668	2.97	322,744,731	(25.64)
	274,138,369	235,215,432	16.55	352,625,221	(22.26)

### 3.1 Rates and General Services:

Rates and General Services are all types of services rendered by the municipality, excluding those listed below. The main income sources are Assessment Rates and Sundry Fees levied.

DETAILS	Actual 2014/15 R	Actual 2013/14 R	Percentage Variance %	Budgeted 2014/15 R	Variance actual/ budgeted %
Income	34,232,940	27,075,177	26.44	39,140,972	(12.54)
Expenditure	19,873,835	18,495,027	7.46	22,686,721	(12.40)
Surplus / (Deficit)	14,359,105	8,580,150	67.35	16,454,251	(12.73)
Surplus / (Deficit) as % of total income	41.95%	31.69%		42.04%	

### 3. OPERATING RESULTS (Continued)

#### 3.2 Waste Management Services:

Waste Management Services are services rendered by the municipality for the collection, disposal and purifying of waste (refuse and sewerage). Income is mainly generated from the levying of fees and tariffs determined by the council.

DETAILS	Actual 2014/15 R	Actual 2013/14 R	Percentage Variance %	Budgeted 2014/15 R	Variance actual/ budgeted %
Income	5,912,909	7,103,669	(16.76)	4,523,665	30.71
Expenditure	7,303,472	4,932,658	48.06	4,240,101	72.25
Surplus / (Deficit)	(1,390,563)	2,171,011	(164.05)	283,564	(590.39)
Surplus / (Deficit) as % of total income	(23.52)%	30.56%		6.27%	

#### 3.3 Water Services:

Water is pumped from local boreholes within the Municipal area and distributed to the consumers by the municipality.

DETAILS	Actual 2014/15 R	Actual 2013/14 R	Percentage Variance %	Budgeted 2014/15 R	Variance actual/ budgeted %
Income	900,853	1,008,709	(10.69)	3,875,013	(76.75)
Expenditure	6,954,464	4,501,260	54.50	2,953,668	135.45
Surplus / (Deficit)	(6,053,611)	(3,492,551)	73.33	921,344	(757.04)
Surplus / (Deficit) as % of total income	(671.99)%	(346.24)%		23.78%	

### 4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Assets during the year amounted to R15,101,286 (2013/14: R5,342,509). Full details of Assets are disclosed in Notes 7, 8, 9 and Appendices "B, C and E (4)" to the Annual Financial Statements.

The capital expenditure of R15,101,286 was financed as follows:

DETAILS	Actual 2014/15 R	Actual 2013/14 R	Percentage Variance %	Budgeted 2014/15 R	Variance actual/ budgeted %
Grants and Subsidies	11,967,019	5,004,093	139.14	15,812,101	(24.32)
Public Contributions	941,064	-	100.00	-	100.00
Own Funds (Accumulated Surplus)	1,418,144	-	100.00	-	100.00
	14,326,227	5,004,093	186.29	15,812,101	(9.40)

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2015	2014
Grants and Subsidies	83.53%	100.00%
Public Contributions	6.57%	-
Own Funds (Accumulated Surplus)	9.90%	-
	100.00%	100.00%

## 5. RECONCILIATION OF BUDGET TO ACTUAL

### 5.1 Operating Budget:

DETAILS	2015	2014
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	17,659,163	12,040,538
Revenue variances	(6,492,952)	3,081,017
Expenditure variances:		
Employee Related Costs	1,010,288	(63,416)
Remuneration of Councillors	30,349	128,016
Depreciation and Amortisation	(6,957,268)	(7,500,965)
Impairment Losses	3,047,756	351,867
Repairs and Maintenance	(1,142,544)	(845,691)
Interest Paid	6,117	78,083
Contracted Services	227,843	199,000
General Expenses	(1,188,299)	(138,690)
Other Losses on Continued Operations	(775,057)	21,000
Loss on disposal of Property, Plant and Equipment	(91,894)	(92,150)
Actual surplus before appropriations	6,914,930	7,258,610

DETAILS	2015	2014
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	17,659,163	13,116,000
Executive and Council	(337,015)	319,332
Budget and Treasury Office	(5,374,708)	(7,423,689)
Corporate Services	124,076	(276,813)
Community and Social Services	3,492,500	824,870
Waste Management	1,013,025	4,640,894
Waste Water Management	(2,687,156)	(1,932,857)
Water	(6,974,956)	(2,009,126)
Actual surplus before appropriations	6,914,930	7,258,610

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results are included in Appendices "E (1), E (2) and E (3)".

### 5.2 Capital Budget:

DETAILS	Actual 2014/15 R	Actual 2013/14 R	Variance actual 2014/15 / 2013/14 R	Budgeted 2014/15 R	Variance actual/ budgeted R
Finance and Administration	1,425,092	210,032	1,215,060	-	1,425,092
Waste water management	2,479,334	105,000	2,374,334	6,920,101	(4,440,767)
Waste management	10,421,801	8,723,911	1,697,891	8,826,190	1,595,612
Water	-	44,217	(44,217)	65,810	(65,810)
	14,326,227	9,083,159	5,243,068	15,812,101	(1,485,874)

Details of the results per segmental classification of capital expenditure are included in Appendix "C" and in Appendix "E (4)".

## 6. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2015 amounted to R240,006,598 (30 June 2014: R233,091,668) and is made up as follows:

Accumulated Surplus	240,006,598
	<u>240,006,598</u>

The municipality, in conjunction with its own capital requirements and external funds (external loans and grants) is able to finance its annual infrastructure capital programme.

Refer to Note 18 and the Statement of Change in Net Assets for more detail.

## 7. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2015 was R0 (30 June 2014: R14,164).

Refer to Note 15 and Appendix "A" for more detail.

## 8. EMPLOYEE BENEFIT LIABILITIES

Employee Benefit Liabilities amounted R210,396 as at 30 June 2015 (30 June 2014: R177,808) and is made up as follows:

Long Service Awards Liability	210,396
	<u>210,396</u>

The Long-term Service Liability is an estimate of the long-service based on historical staff turnover. No other long-term service benefits are provided to employees. This liability is unfunded.

Refer to Note 16 for more detail.

## 9. NON-CURRENT PROVISIONS

Non-current Provisions amounted R11,612,750 as at 30 June 2015 (30 June 2014: R11,632,610) and is made up as follows:

Provision for Rehabilitation of Land-fill Sites	11,612,750
	<u>11,612,750</u>

These provisions are made in order to enable the municipality to be in a position to fulfill its known legal obligations when they become due and payable.

Refer to Note 17 for more detail.

## 10. CURRENT LIABILITIES

Current Liabilities amounted R16,067,560 as at 30 June 2015 (30 June 2014: R21,983,002) and is made up as follows:

Provisions	Note 10	3,478,276
Payables from Exchange Transactions	Note 11	9,600,856
Payables from Non-exchange Transactions	Note 12	620,647
Unspent Conditional Grants and Receipts	Note 13	1,404,290
Operating Lease Liabilities	Note 14	28,973
Current Portion of Long-term Liabilities	Note 15	934,519
		<u>16,067,560</u>

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

## 11. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R242,518,282 as at 30 June 2015 (30 June 2014: R235,081,669).

Refer to Note 7 and Appendices "B, C and E (4)" for more detail.

## 12. INTANGIBLE ASSETS

The net value of Intangible Assets were R1,979,219 as at 30 June 2015 (30 June 2014: R1,837,297).

Intangible Assets are assets which cannot physically be identified and verified and are in respect of computer software obtained by the municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 8 and Appendix "B" for more detail.

## 13. INVESTMENT PROPERTY

The net value of Investment Properties were R13,686,399 as at 30 June 2015 (30 June 2014: R14,461,456).

Investment Property is property held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of operations.

Refer to Note 9 and Appendix "B" for more detail.

## 14. CURRENT ASSETS

Current Assets amounted R9,713,404 as at 30 June 2015 (30 June 2014: R15,518,830) and is made up as follows:

Inventories	Note 2	433,018
Receivables from Exchange Transactions	Note 3	2,029,988
Receivables from Non-exchange Transactions	Note 4	3,346,658
VAT Receivable	Note 5	2,883,564
Cash and Cash Equivalents	Note 6	1,020,176
		<u>9,713,404</u>

The increase in the amount for Current Assets is mainly due to the increased amount held in Bank and Cash Equivalents.

Refer to the indicated Notes for more detail.

## 15. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 50.

## 16. EXPRESSION OF APPRECIATION

We are grateful to the Mayor, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.

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**CHIEF FINANCIAL OFFICER**

31 August 2015

**MIER LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015**

Budget				Actual	
2015 Original	2015 Adjusted			2015	2014
R	R		Note	R	Restated R
ASSETS					
7,827,194	7,827,194	Current Assets		9,713,404	15,518,830
700,000	700,000	Inventories	2	433,018	706,755
1,510,104	1,510,104	Receivables from Exchange Transactions	3	2,029,988	640,017
3,480,000	3,480,000	Receivables from Non-exchange Transactions	4	3,346,658	5,090,937
-	-	VAT Receivable	5	2,883,564	1,560,602
2,137,090	2,137,090	Cash and Cash Equivalents	6	1,020,176	7,520,519
319,839,378	319,839,378	Non-Current Assets		258,183,900	251,380,422
303,742,425	303,742,425	Property, Plant and Equipment	7	242,518,282	235,081,669
365,110	365,110	Intangible Assets	8	1,979,219	1,837,297
15,731,844	15,731,844	Investment Property	9	13,686,399	14,461,456
327,666,572	327,666,572	Total Assets		267,897,305	266,899,251
LIABILITIES					
5,243,000	5,243,000	Current Liabilities		16,067,560	21,983,002
-	-	Provisions	10	3,478,276	2,751,315
5,243,000	5,243,000	Payables from Exchange Transactions	11	9,600,856	8,505,465
-	-	Payables from Non-exchange Transactions	12	620,647	397,953
-	-	Unspent Conditional Grants and Receipts	13	1,404,290	9,233,552
-	-	Operating Lease Liabilities	14	28,973	73,118
-	-	Current Portion of Long-term Liabilities	15	934,519	1,021,599
17,338,000	17,338,000	Non-Current Liabilities		11,823,146	11,824,582
920,000	920,000	Long-term Liabilities	15	-	14,164
218,000	218,000	Employee Benefit Liabilities	16	210,396	177,808
16,200,000	16,200,000	Non-current Provisions	17	11,612,750	11,632,610
22,581,000	22,581,000	Total Liabilities		27,890,706	33,807,584
305,085,572	305,085,572	Total Assets and Liabilities		240,006,598	233,091,668
305,085,572	305,085,572	NET ASSETS		240,006,598	233,091,668
305,085,572	305,085,572	Accumulated Surplus / (Deficit)	18	240,006,598	233,091,668
305,085,572	305,085,572	Total Net Assets		240,006,598	233,091,668



**MIER LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015**

2014 Final	Budget			Note	Actual	
	2015 Original	2015 Adjusted			2015	2014 Restated
R	R	R			R	R
<b>REVENUE</b>						
<b>Revenue from Non-exchange Transactions</b>						
975,038	1,513,994	2,386,314	Property Rates	<b>19</b>	1,490,192	980,409
29,544,944	26,036,000	37,954,100	Government Grants and Subsidies Received	<b>20</b>	31,860,499	29,040,322
-	-	-	Public Contributions and Donations	<b>21</b>	1,023,376	-
<b>Revenue from Exchange Transactions</b>						
3,479,909	5,420,181	5,420,181	Service Charges	<b>22</b>	2,680,118	2,498,563
816,573	1,072,591	1,072,591	Rental of Facilities and Equipment	<b>23</b>	923,708	746,087
250,000	400,000	400,000	Interest Earned - External Investments	<b>24</b>	463,329	450,562
76,761	256,467	306,467	Other Revenue	<b>25</b>	2,605,480	1,471,611
37,688	-	-	Gains on Disposal of Property, Plant and Equipment	<b>34</b>	-	-
<b>35,180,913</b>	<b>34,699,233</b>	<b>47,539,653</b>	<b>Total Revenue</b>		<b>41,046,701</b>	<b>35,187,555</b>
<b>EXPENDITURE</b>						
8,123,790	9,430,802	10,374,889	Employee Related Costs	<b>26</b>	9,364,601	7,399,416
1,736,145	1,781,301	1,893,935	Remuneration of Councillors	<b>27</b>	1,863,586	1,615,984
-	399,451	399,451	Depreciation and Amortisation	<b>28</b>	7,356,720	7,500,965
2,549,564	4,426,610	3,744,555	Impairment Losses	<b>29</b>	696,799	1,586,133
1,562,000	787,356	730,965	Repairs and Maintenance	<b>30</b>	1,873,509	845,691
-	75,000	75,000	Finance Costs	<b>31</b>	68,883	67,917
-	227,843	227,843	Contracted Services	-	-	-
-	1,581,428	1,581,428	Grants and Subsidies Paid	-	-	-
8,093,414	5,610,684	10,852,423	General Expenses	<b>32</b>	12,040,722	8,820,690
-	-	-	Other Gains And Losses	<b>33</b>	775,057	-
-	-	-	Loss on Disposal of Property, Plant and Equipment	<b>34</b>	91,894	92,150
<b>22,064,913</b>	<b>24,320,475</b>	<b>29,880,490</b>	<b>Total Expenditure</b>		<b>34,131,771</b>	<b>27,928,945</b>
<b>13,116,000</b>	<b>10,378,758</b>	<b>17,659,163</b>	<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>		<b>6,914,930</b>	<b>7,258,610</b>
Refer to Budget Statement for explanation of budget variances						

**MIER LOCAL MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2015**

Description	Accumulated Surplus / (Deficit) Account	Total for	
	Accumulated Surplus / (Deficit)	Accumulated Surplus/(Deficit) Account	Total
	R	R	R
<b>2014</b>			
Balance at 30 June 2013	200,027,877	200,027,877	200,027,877
Correction of Error (Note 35)	25,805,181	25,805,181	25,805,181
<b>Restated Balance</b>	<b>225,833,057</b>	<b>225,833,057</b>	<b>225,833,057</b>
Surplus / (Deficit) for the year	7,258,610	7,258,610	7,258,610
<b>Balance at 30 June 2014</b>	<b>233,091,668</b>	<b>233,091,668</b>	<b>233,091,668</b>
<b>2015</b>			
<b>Restated Balance</b>	<b>233,091,668</b>	<b>233,091,668</b>	<b>233,091,668</b>
Surplus / (Deficit) for the year	6,914,930	6,914,930	6,914,930
<b>Balance at 30 June 2015</b>	<b>240,006,598</b>	<b>240,006,598</b>	<b>240,006,598</b>
		-	-

Details on the movement of the Funds and Reserves are set out in Note 18.

**MIER LOCAL MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015**

2014 Adjusted	Budget		2015 Adjusted		Note	Actual	
	2015 Original					2015	2014
R	R	R				R	R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
<b>Receipts</b>							
3,919,000	3,811,476	4,543,531	Property Rates	19		1,490,192	980,409
31,025,000	26,036,000	37,954,100	Government Grant and Subsidies	20		33,826,279	28,798,467
-	-	-	Public Contributions and Donations	21		1,023,376	-
-	-	-	Service Charges	22		2,680,118	2,498,563
			Rental of facilities	23		923,708	746,087
-	400,000	400,000	Interest Received	24		463,329	450,562
-	-	-	Other Receipts	25		2,605,480	1,471,611
<b>Payments</b>							
(20,987,000)	(17,837,985)	(24,081,204)	Employee Related Costs	26		(9,364,601)	(7,399,416)
-	-	-	Remuneration of Councillors	27		(1,863,586)	(1,615,984)
			Repairs & maintenance	30		(1,873,509)	(845,691)
(50,000)	(75,000)	(75,000)	Interest Paid	31		(68,883)	(67,917)
-	-	-	Suppliers Paid			1,095,391	(1,149,772)
(1,847,000)	(215,400)	(215,400)	Other Payments	32		(12,040,722)	(8,820,690)
<b>12,060,000</b>	<b>12,119,090</b>	<b>18,526,026</b>	<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>			<b>18,896,571</b>	<b>15,046,231</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
(11,494,000)	(9,492,000)	(15,812,107)	Purchase of Property, Plant and Equipment	7		(14,931,936)	(4,064,764)
-	-	-	Purchase of Intangible Assets	8		(169,350)	(24,035)
<b>(11,494,000)</b>	<b>(9,492,000)</b>	<b>(15,812,107)</b>	<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>			<b>(15,101,286)</b>	<b>(4,088,799)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
-	-	-	Proceeds from Borrowings	15		-	26,448
(240,000)	(500,000)	(500,000)	Repayment of Borrowings	15		(101,244)	-
<b>(240,000)</b>	<b>(500,000)</b>	<b>(500,000)</b>	<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>			<b>(101,244)</b>	<b>26,448</b>
<b>326,000</b>	<b>2,127,090</b>	<b>2,213,919</b>	<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALEN</b>	<b>6</b>		<b>(6,500,343)</b>	<b>2,589,872</b>
(1,705,000)	-	-	Cash and Cash Equivalents at Beginning of Period			7,520,519	4,930,646
(1,379,000)	2,127,090	2,213,919	Cash and Cash Equivalents at End of Period			1,020,176	7,520,519

**MIER LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2015**

30 June 2015

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R
<b>FINANCIAL POSITION</b>								
<b>Current Assets</b>								
Inventories	700,000	-	700,000	700,000	433,018	(266,982)	61.86	61.86
Receivables from Exchange Transactions	1,510,104	-	1,510,104	1,510,104	2,029,988	519,885	134.43	134.43
Receivables from Non-exchange Transactions	3,480,000	-	3,480,000	3,480,000	3,346,658	(133,342)	96.17	96.17
VAT Receivable	-	-	-	-	2,883,564	2,883,564	0.00	0.00
Cash and Cash Equivalents	2,137,090	-	2,137,090	2,137,090	1,020,176	(1,116,915)	47.74	47.74
<b>Non-Current Assets</b>		-	-	-				
Property, Plant and Equipment	303,742,425	-	303,742,425	303,742,425	242,518,282	(61,224,143)	79.84	79.84
Intangible Assets	365,110	-	365,110	365,110	1,979,219	1,614,109	542.09	542.09
Investment Property	15,731,844	-	15,731,844	15,731,844	13,686,399	(2,045,444)	87.00	87.00
<b>Total Assets</b>	327,666,572	-	327,666,572	327,666,572	267,897,305	(59,769,268)	81.76	81.76
<b>Current Liabilities</b>								
Provisions	-	-	-	-	3,478,276	3,478,276	0.00	0.00
Payables from Exchange Transactions	5,243,000	-	5,243,000	5,243,000	9,600,856	4,357,856	183.12	183.12
Payables from Non-exchange Transactions	-	-	-	-	620,647	620,647	0.00	0.00
Unspent Conditional Grants and Receipts	-	-	-	-	1,404,290	1,404,290	0.00	0.00
Operating Lease Liabilities	-	-	-	-	28,973	28,973	0.00	0.00
Current Portion of Long-term Liabilities	-	-	-	-	934,519	934,519	0.00	0.00
<b>Non-Current Liabilities</b>								
Long-term Liabilities	920,000	-	920,000	920,000	-	(920,000)	0.00	0.00
Employee Benefit Liabilities	218,000	-	218,000	218,000	210,396	(7,604)	96.51	96.51
Non-current Provisions	16,200,000	-	16,200,000	16,200,000	11,612,750	(4,587,250)	71.68	71.68
<b>Total Liabilities</b>	22,581,000	-	22,581,000	22,581,000	27,890,706	5,309,706	123.51	123.51
<b>Total Assets and Liabilities</b>	<b>305,085,572</b>	<b>-</b>	<b>305,085,572</b>	<b>305,085,572</b>	<b>240,006,598</b>	<b>(65,078,974)</b>	<b>78.67</b>	<b>78.67</b>
<b>Net Assets (Equity)</b>								
Accumulated Surplus / (Deficit)	305,085,572	-	305,085,572	305,085,572	240,006,598	(65,078,974)	78.67	78.67
<b>Total Net Assets</b>	<b>305,085,572</b>	<b>-</b>	<b>305,085,572</b>	<b>305,085,572</b>	<b>240,006,598</b>	<b>(65,078,974)</b>	<b>78.67</b>	<b>78.67</b>

***Financial Position: Explanation of Variances between Approved Budget and Actual***

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Receivables from Exchange Transactions:

Debtor balances increased due that the percenatge collection rate was not inline what the municipality budget for.

Receivables from Non-exchange Transactions:

The municipality over budgeted due to incorrect assumptions

VAT Receivable:

It was not budgeted fo VAT receiveable

Cash and Cash Equivalents:

It was incorrectly budgeted at year-end.

Property, Plant and Equipment:

The reason for the decrease was the that a full asset verification was perfomred on the water network

Intangible Assets:

The reason for the increase was that the accounting system depreciation method was change to indefinite

Investment Property:

The municipality revalued all investment property

Provisions:

Payables from Exchange Transactions:

Due to an increase payables at year end

Payables from Non-exchange Transactions:

It was not budgeted for but included in Exchange Transactions'

Unspent Conditional Grants and Receipts:

It was not budgeted for Unspent Grants at year-end.

Operating Lease Liabilities:

Not budgeted for

Current Portion of Long-term Liabilities:

Due to loan term ending by the end of Aug 2015 that the full amount should be disclosed under current liabilities

Long-term Liabilities:

Due to loan term ending by the end of Aug 2015 that the full amount should be disclosed under current liabilities

Retirement Benefit Liabilities:

Long service liability was budget for

Non-current Provisions:

Result in a decrease rehabilitation liability of landfill sites

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R
<b>FINANCIAL PERFORMANCE</b>								
<b>Revenue from Non-exchange Transactions</b>								
Property Rates	1,513,994	872,319	2,386,314	2,386,314	1,490,192	(896,122)	62.45	98.43
Government Grants and Subsidies Received	16,544,000	5,597,993	22,141,993	22,141,993	18,411,216	(3,730,778)	83.15	111.29
<b>Revenue from Exchange Transactions</b>								
Service Charges	5,420,181	-	5,420,181	5,420,181	2,680,118	(2,740,063)	49.45	49.45
Rental of Facilities and Equipment	1,072,591	-	1,072,591	1,072,591	923,708	(148,882)	86.12	86.12
Interest Earned - External Investments	400,000	-	400,000	400,000	463,329	63,329	115.83	115.83
Other Income	256,467	50,000	306,467	306,467	2,605,480	2,299,013	850.17	1,015.91
Other Gains on Continued Operations	-	-	-	-	-	-	0.00	0.00
Gains on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	0.00	0.00
<b>Total Revenue</b>	<b>25,207,233</b>	<b>6,520,313</b>	<b>31,727,546</b>	<b>31,727,546</b>	<b>27,597,419</b>	<b>(4,130,128)</b>	<b>86.98</b>	<b>109.48</b>
<b>Expenditure</b>								
Employee Related Costs	9,430,802	944,088	10,374,889	10,374,889	9,364,601	(1,010,288)	90.26	99.30
Remuneration of Councillors	1,781,301	112,634	1,893,935	1,893,935	1,863,586	(30,349)	98.40	104.62
Depreciation and Amortisation	399,451	-	399,451	399,451	7,356,720	6,957,268	1,841.71	1,841.71
Impairment Losses	4,426,610	(682,055)	3,744,555	3,744,555	696,799	(3,047,756)	18.61	15.74
Repairs and Maintenance	787,356	(56,391)	730,965	730,965	1,873,509	1,142,544	256.31	237.95
Finance Costs	75,000	-	75,000	75,000	68,883	(6,117)	91.84	91.84
Contracted Services	227,843	-	227,843	227,843	-	(227,843)	0.00	0.00
General Expenses	5,610,684	5,241,739	10,852,423	10,852,423	12,040,722	1,188,299	110.95	214.60
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	91,894	91,894	0.00	0.00
<b>Total Expenditure</b>	<b>24,320,475</b>	<b>5,560,015</b>	<b>29,880,490</b>	<b>29,880,490</b>	<b>34,131,771</b>	<b>4,251,281</b>	<b>114.23</b>	<b>140.34</b>
<b>Surplus/(Deficit)</b>	<b>886,758</b>	<b>960,298</b>	<b>1,847,056</b>	<b>1,847,056</b>	<b>(6,534,352)</b>	<b>(8,381,408)</b>	<b>0.00</b>	<b>0.00</b>
Transfers Recognised - Capital	9,492,000	6,320,107	15,812,107	15,812,107	13,449,283	(2,362,824)	85.06	141.69
<b>Surplus/(Deficit for the Year)</b>	<b>10,378,758</b>	<b>7,280,405</b>	<b>17,659,163</b>	<b>17,659,163</b>	<b>6,914,930</b>	<b>(10,744,232)</b>	<b>39.16</b>	<b>66.63</b>
<b>Financial Performance: Explanation of Variances between Approved Budget and Actual</b>								
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:								
Government Grants and Subsidies Received: The municipality budgeted for housing grant that was not received								
Service Charges: Budget was based on the increased of cpix								
Rental of Facilities and Equipment: Budget was based on incorrect assumptions								
Interest Earned - External Investments: It was not budgeted for Unspent Grants at year-end for interest to increase received during the year								
Other Income: The municipality did not budget for VAT own income								
Depreciation and Amortisation: The Municipality did not budget sufficiently for depreciation								
Impairment Losses: Based on the impairment calculation it was not as high as the previous year/ adjust formulae based on finding last year.								
Repairs and Maintenance: Budget was not sufficient								
Contracted Services:								
Loss on Disposal of Property, Plant and Equipment: It was not budgeted for Loss on Disposal of Property, Plant and Equipment.								
Transfers Recognised - Capital: Projects not fully spent at year end								

30 June 2015

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R
<b>CAPITAL EXPENDITURE PER FUNCTION</b>								
Finance and Administration	-	-	-	-	1,425,092	1,425,092	0.00	0.00
Community and Social Services	-	-	-	-	-	-	0.00	0.00
Waste water management	-	6,920,101	6,920,101	6,920,101	2,479,334	(4,440,767)	35.83	0.00
Waste management	8,826,190	-	8,826,190	8,826,190	10,421,801	1,595,612	118.08	118.08
Water	665,810	(600,000)	65,810	65,810	-	(65,810)	0.00	0.00
<b>Total Capital Expenditure</b>	<b>9,492,000</b>	<b>6,320,101</b>	<b>15,812,101</b>	<b>15,812,101</b>	<b>14,326,227</b>	<b>(1,485,874)</b>	<b>90.60</b>	<b>150.93</b>
<b>Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual</b>								
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items for Capital Expenditure per Function are explained below:								
Finance and Administration:								
Did not budget for acquisition of moveable assets only for MIG funded projects								
Waste water management:								
The municipality awaiting environmental impact assessments studies results and therefore was not able to implement the projects ( Oxidation ponds )								
Waste management:								
MIG Projects budgeted for 2013/14 fully spent only balance remain on Klein Mier Road.								
Water:								
MIG Projects budgeted for, did not start and will be carried over to 2014/15. The actual expenditure was for expenditure that was incorrectly classified under Repairs and Maintenance								

30 June 2015

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R
<b>CASH FLOW</b>								
<b>Cash Flows from/(used in) Operating Activities</b>								
Property Rates	3,811,476	732,055	4,543,531	4,543,531	1,490,192	(3,053,339)	32.80	39.10
Grants	26,036,000	11,918,100	37,954,100	37,954,100	33,826,279	(4,127,821)	89.12	129.92
Service Charges	-	-	-	-	2,680,118	2,680,118	0.00	0.00
Interest Received	400,000	-	400,000	400,000	463,329	63,329	115.83	115.83
Other Receipts	-	-	-	-	2,605,480	2,605,480	0.00	0.00
Employee Related Costs	(17,837,985)	(6,243,219)	(24,081,204)	(24,081,204)	(9,364,601)	14,716,603	0.00	0.00
Remuneration of Councillors	-	-	-	-	(1,863,586)	(1,863,586)	0.00	0.00
Interest Paid	(75,000)	-	(75,000)	(75,000)	(68,883)	6,117	0.00	0.00
Suppliers Paid	-	-	-	-	1,095,391	1,095,391	0.00	0.00
Other Payments	(215,400)	-	(215,400)	(215,400)	(12,040,722)	(11,825,322)	0.00	0.00
<b>Cash Flows from/(used in) Investing Activities</b>								
Purchase of Property, Plant and Equipment	(9,492,000)	(6,320,107)	(15,812,107)	(15,812,107)	(14,931,936)	880,171	0.00	0.00
Proceeds on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	0.00	0.00
Decrease / (Increase) in Long-term Receivables	-	-	-	-	-	-	0.00	0.00
<b>Cash Flows from/(used in) Financing Activities</b>								
Loans repaid	(500,000)	-	(500,000)	(500,000)	(101,244)	398,756	0.00	0.00
<b>Cash and Cash Equivalents at End of the Year</b>	<b>2,127,090</b>	<b>86,829</b>	<b>2,213,919</b>	<b>2,213,919</b>	<b>4,643,842</b>	<b>2,429,923</b>	<b>209.76</b>	<b>218.32</b>
					11,144,185			

**Cash Flow: Explanation of Variances between Approved Budget and Actual**

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:

Grants

The municipality budgeted fo housing grant that was not received

Service Charges

The amount is included under the property rates line item

Interest Received

It was under-budgeted for Interest Received.

Other Receipts

The amount is included under the property rates line item

Employee Related Costs

Budget not aligned to GRAP - included in budget for Suppliers Paid.

Remuneration of Councillors

Budget not aligned to GRAP - included in budget for Suppliers Paid.

Interest Paid

It was over budget for interest paid

Suppliers Paid

Budget not aligned to GRAP -other streams of expenditure included in budget for Suppliers Paid.

Other Payments

Budget not aligned to GRAP - included in budget for Suppliers Paid.

Purchase of Property, Plant and Equipment:

It was budgeted for Purchase of Property, Plant and Equipment, but due to projects that did'nt start during the 2013/14 financial year ( EIA outstanding for oxidation ponds)

New Loans raised:

It was budgeted for Increase in External Loans Raised.

Loans repaid:

It was budgeted for Loans Repaid, but due to cash flow constrains the municipality was able to repay the loan and restructuring was signed

Cash and Cash Equivalents at End of the Year:

It was under-budgeted for Cash and Cash Equivalents.



## MIER LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an Accrual Basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The Annual Financial Statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

##### **1.1 Changes in Accounting Policy and Comparability**

Accounting Policies have been consistently applied, except where otherwise indicated below.

For the years ended 30 June 2014 and 30 June 2015 the municipality has adopted the accounting framework as set out in paragraph 1 above. The details of any resulting changes in Accounting Policy and comparative restatements are set out below and in the relevant Notes to the Annual Financial Statements.

The municipality changes an Accounting Policy only if the change:

- (a) Is required by a Standard of GRAP; or
- (b) Results in the Annual Financial Statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the municipality's financial position, financial performance or cash flow.

##### **1.2 Critical Judgements, Estimations and Assumptions**

In the application of the municipality's Accounting Policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

##### **1.2.1 Revenue Recognition**

Accounting Policy 11.2 on *Revenue from Exchange Transactions* and Accounting Policy 11.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 (*Revenue from Exchange Transactions*) and GRAP 23 (*Revenue from Non-exchange Transactions*). As far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

##### **1.2.2 Financial Assets and Liabilities**

The classification of Financial Assets and Liabilities, into categories, is based on judgement by management. Accounting Policy 8.1 on *Financial Assets Classification* and Accounting Policy 8.2 on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of Financial Assets and Liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of Financial Instruments as set out in GRAP 104 (*Financial Instruments*).

# MIER LOCAL MUNICIPALITY

## ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### 1. BASIS OF PRESENTATION (Continued)

#### 1.2.3 Impairment of Financial Assets

Accounting Policy 8.4 on *Impairment of Financial Assets* describes the process followed to determine the value at which Financial Assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of Financial Assets as set out in GRAP 104 (*Financial Instruments*) and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

- Impairment of Trade Receivables:

The calculation in respect of the impairment of Debtors is based on an assessment of the extent to which Debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This is performed per service-identifiable categories across all classes of debtors.

The total increase in estimation of the impairment of Receivables from Exchange Transactions and that of Receivables from Non-exchange Transactions are disclosed in Notes 3 and 4 to the Annual Financial Statements.

#### 1.2.4 Useful lives of Property, Plant and Equipment, Intangible Assets and Investment Property

As described in Accounting Policies 3.3, 4.2 and 5.2, the municipality depreciates its Property, Plant & Equipment and Investment Property, and amortises its Intangible Assets, over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

#### 1.2.5 Impairment: Write-down of Property, Plant & Equipment, Intangible Assets, Investment Property, Heritage Assets and Inventories

Accounting Policy 7 on *Impairment of Assets*, Accounting Policy 4.2 on *Intangible Assets – Subsequent Measurement, Amortisation and Impairment* and Accounting Policy 9.2 on *Inventory – Subsequent Measurement* describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment, impairment testing of Intangible Assets and write-down of Inventories to the lowest of Cost and Net Realisable Value.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21 (Impairment of Non-cash Generating Assets) and GRAP 26 (Impairment of Cash Generating Assets). In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the Net Realisable Value for Inventories involves significant judgment by management.

Estimated impairments during the year to Property, Plant and Equipment, Intangible Assets, Investment Property, Heritage Assets and Inventory are disclosed in Notes 2, 7, 8, 9 and N/A to the Annual Financial Statements.

#### 1.2.6 Water Inventory

The estimation of the Water Inventory in reservoirs is based on the measurement of water via electronic level sensors, which determines

#### 1.2.7 Defined Benefit Plan Liabilities

As described in Accounting Policy 13.2, Employee Benefits – Post-employment Benefits, the municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the relevant Notes to the Annual Financial Statements.

#### 1.2.8 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring Provisions and when measuring Contingent Liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

# MIER LOCAL MUNICIPALITY

## ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### 1. BASIS OF PRESENTATION (Continued)

#### 1.2.9 Budget Information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the relevant Notes to the Annual Financial Statements.

#### 1.3 Presentation Currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

#### 1.4 Going Concern Assumption

The Annual Financial Statements have been prepared on a *Going Concern Basis*.

#### 1.5 Offsetting

Assets, Liabilities, Revenues and Expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

#### 1.6 Standards, Amendments to Standards and Interpretations issued but not yet Effective

The following GRAP Standards have been issued but are not yet effective and have not been early adopted by the municipality:

- GRAP 18 Segment Reporting - issued March 2005
- GRAP 20 Related Party Disclosures (Revised)
- GRAP 32 Service Concession Arrangement Grantor
- GRAP 105 Transfers between Entities under common control - issued November 2010
- GRAP 106 Transfers between Entities not under common control - issued November 2010
- GRAP 107 Mergers - issued November 2010
- GRAP 108 Statutory Receivables

The Minister of Finance announced that the application of GRAP 25 will be effective for the period starting after 1 April 2013. All other standards as listed above will only be effective when a date is announced by the Minister of Finance. This date is not currently available.

The ASB Directive 5, paragraph 29, sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy as set out in the standard of GRAP 3 on *Accounting Policies, Changes in Accounting Estimates and Errors*.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued but is not yet in effect, the municipality may select to apply the principles established in that standard in developing an appropriate Accounting Policy dealing with a particular section or event before applying paragraph 12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The municipality applied the principles established in the following Standards of GRAP that have been issued but are not yet effective, in developing appropriate Accounting Policies dealing with the following transactions, but have not early adopted these Standards:

- GRAP 20 Related Party Disclosures (Revised)

Management has considered all of the above-mentioned GRAP Standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

## **MIER LOCAL MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

#### **2. PROPERTY, PLANT AND EQUIPMENT**

##### ***2.1 Initial Recognition***

Property, Plant and Equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of Property, Plant and Equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, Plant and Equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grants or donations, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of Property, Plant and Equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

## MIER LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 2. PROPERTY, PLANT AND EQUIPMENT (Continued)

When significant components of an item of Property, Plant and Equipment have different useful lives, they are accounted for as separate items (major components) of Property, Plant and Equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of Property, Plant and Equipment acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as Property, Plant and Equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of Property, Plant and Equipment, they are accounted for as Property, Plant and Equipment.

##### **2.2 Subsequent Measurement**

Subsequent expenditure relating to Property, Plant and Equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all Property Plant and Equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

##### **Revaluation Model:**

Subsequent to initial recognition Property, Plant and Equipment are carried at a revalued amount based on municipal valuations, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed by external independent valuers with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the Statement of Financial Position date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

An increase in the carrying amount of Property, Plant and Equipment as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Statement of Financial Performance.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in the Statement of Financial Performance, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Where items of Property, Plant and Equipment have been impaired the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation.

When revalued assets are sold or retired the amounts included in the Revaluation Reserve in respect of that assets are transferred to the Statement of Changes in Net Assets.

Compensation from third parties for items of Property, Plant and Equipment that were impaired, lost or given up is included in the Statement of Financial Performance when the compensation becomes receivable.

##### **2.3 Depreciation**

Depreciation on assets other than land is calculated on cost, using the *Straight-line Method*, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

## MIER LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 2. PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation only commences when the asset is available for use, unless stated otherwise. The depreciation rates are based on the following estimated useful lives:

	Asset Class	Years		Asset Class	Years
	<b>Buildings</b>			<b>Other</b>	
	Improvements	10 - 30		Bins and Containers	5 - 15
	<b>Infrastructure</b>			Computer Equipment	5 - 10
	Electricity	5 - 30		Emergency Equipment	5 - 10
	Roads and Paving	10 - 80		Furniture and Fittings	5 - 15
	Sanitation	7 - 55		Motor Vehicles	7 - 15
	Sewerage	7 - 100		Office Equipment	5 - 15
	Water	50		Plant and Equipment	5 - 15
	<b>Community</b>			Specialist Vehicles	10 - 20
	Community Facilities	15 - 30		Other Assets	25 - 30
	Recreational Facilities	15 - 30			

The assets' residual values, estimated useful lives and depreciation method are reviewed annually and adjusted prospectively, if appropriate, at each reporting date. Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

#### **2.4 Land**

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

#### **2.5 Infrastructure Assets**

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure Assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure Assets are treated similarly to all other assets of the municipality in terms of the Asset Management Policy.

#### **2.6 Incomplete Construction Work**

Incomplete Construction Work is stated at historical cost. Depreciation only commences when the asset is available for use.

#### **2.7 Leased Assets**

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as Property, Plant and Equipment controlled by the municipality or, where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

#### **2.8 Housing Development Fund Assets**

The Housing Development Fund contains letting schemes that is included in the municipality's Property, Plant and Equipment. All surpluses generated from the letting schemes are transferred to the Housing Development Fund.

#### **2.9 Derecognition**

The carrying amount of an item of Property, Plant and Equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of Property, Plant and Equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the proceeds from disposals are included in the Statement of Financial Performance as a gain or loss on disposal of Property, Plant and Equipment.

## MIER LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 3. INTANGIBLE ASSETS

The municipality changed its Accounting Policy from GRAP 102 to GRAP 31 with no effect on the financial information previously disclosed.

##### **3.1 Initial Recognition**

Identifiable non-monetary assets without physical substance are classified and recognised as Intangible Assets. The municipality recognises an Intangible Asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated Intangible Assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as it is incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as Intangible Assets when the following criteria are fulfilled:

- (a) It is technically feasible to complete the Intangible Asset so that it will be available for use;
- (b) Management intends to complete the Intangible Asset and use or sell it;
- (c) There is an ability to use or sell the Intangible Asset;
- (d) It can be demonstrated how the Intangible Asset will generate probable future economic benefits;
- (e) Adequate technical, financial and other resources to complete the development and to use or sell the Intangible Asset are available; and
- (f) The expenditure attributable to the Intangible Asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as Intangible Assets and amortised from the point at which the asset is available for use. Development assets are tested for impairment annually, in accordance with GRAP 21 or GRAP 26.

Intangible Assets are initially recognised at cost. The cost of an Intangible Asset is the purchase price and other costs attributable to bring the Intangible Asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an Intangible Asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.

The cost of an Intangible Asset acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

## MIER LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 3. INTANGIBLE ASSETS (Continued)

##### 3.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, Intangible Assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

##### Revaluation Model:

After initial recognition, Intangible Assets are carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated amortisation and any subsequent accumulated impairment losses. If the Intangible Asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to the revaluation surplus. However, the increase is recognised in the Statement of Financial Performance to the extent that it reverses a revaluation decrease of the same Intangible Asset previously recognised in the Statement of Financial Performance.

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an Intangible Asset at a later date.

In terms of GRAP 31, Intangible Assets are distinguished between internally generated Intangible Assets and other Intangible Assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a *Straight-line Basis* over the Intangible Assets' useful lives. The residual value of Intangible Assets with finite useful lives is zero, unless an active market exists. Where Intangible Assets are deemed to have indefinite useful lives, such Intangible Assets are not amortised. However, such Intangible Assets are subject to an annual impairment test.

Amortisation only commences when the asset is available for use, unless stated otherwise. The amortisation rates are based on the following estimated useful lives:

	Asset Class	Years
	Computer Software	3-5

Intangible Assets are annually tested for impairment as described in Accounting Policy 7 on *Impairment of Assets*, including Intangible Assets not yet available for use. Where items of Intangible Assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. The impairment loss is the difference between the carrying amount and the recoverable service amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a Change in Accounting Estimate in the Statement of Financial Performance.

##### 3.3 Derecognition

Intangible Assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an Intangible Asset is determined as the difference between the proceeds of disposal and the carrying value and is recognised in the Statement of Financial Performance.

#### 4. INVESTMENT PROPERTY

##### 4.1 Initial Recognition

Investment Property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures Investment Property at cost including transaction costs once it meets the definition of Investment Property. However, where an Investment Property was acquired through a non-exchange transaction (i.e. where it acquired the Investment Property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed Investment Property is the cost at date of completion.



## MIER LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 4. INVESTMENT PROPERTY (Continued)

Based on management's judgement, the following criteria have been applied to distinguish Investment Properties from owner occupied property or property held for resale:

- (a) Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations;
- (b) Land held for a currently undetermined future use (If the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of operations, the land is regarded as held for capital appreciation);
- (c) A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases on a commercial basis (this will include the property portfolio rented out on a commercial basis on behalf of the municipality);
- (d) A property owned by the municipality and leased out at a below market rental; and
- (e) Property that is being constructed or developed for future use as investment property.

The rent earned does not have to be at a commercial basis or market related for the property to be classified as investment property.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-current Assets Held-for-Sale, as appropriate:

- (a) Property held for sale in the ordinary course of operations or in the process of construction or development for such sale;
- (b) Property being constructed or developed on behalf of third parties;
- (c) Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- (d) Property that is leased to another entity under a finance lease;
- (e) Property held to provide goods and services and also generates cash inflows; and
- (f) Property held for strategic purposes which would be accounted for in accordance with the Standard of GRAP on Property, Plant and Equipment.

#### 4.2 Subsequent Measurement

Investment Property is measured using the *Cost Model* and is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the *Straight-line Method* over the useful life of the property, which is estimated at 10 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an Investment Property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### Fair Value Model:

Investment Property is measured using the *Fair Value Model*. Investment Property is carried at fair value, representing open market value determined by external valuers at the date of the last general valuation. Fair value is based on active market prices, adjusted for any difference in the nature, location or condition of the specific asset, if necessary. A gain or loss arising from a change in the fair value of Investment Property is included in the Statement of Financial Performance for the period in which it arises.

If the municipality determines that the fair value of an Investment Property under construction is not reliably measurable but expects the fair value to be reliably measurable when construction is completed, it measures that Investment Property at cost until the fair value can be reliably determined or construction has been completed.

Where the municipality has determined that the fair value of an Investment Property (other than Investment Property under construction) is not determinable on a continuing basis, the municipality measures that Investment Property using the cost model (as per the Accounting Policy for Property, Plant and Equipment).

#### 4.3 Derecognition

An Investment Property shall be derecognised (eliminated from the Statement of Financial Position) on disposal or when the Investment Property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

## MIER LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 5. IMPAIRMENT OF ASSETS

The municipality classifies all assets held with the primary objective of generating a commercial return as *Cash Generating Assets*. All other assets are classified as *Non-cash Generating Assets*.

##### 5.1 Impairment of Cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use. The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

##### 5.2 Impairment of Non-cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the non-cash generating unit to which the asset belongs is determined.

The recoverable service amount of a non-cash generating asset is the higher of its fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

## MIER LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 5. IMPAIRMENT OF ASSETS (Continued)

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

#### 6. FINANCIAL INSTRUMENTS

The municipality has various types of Financial Instruments and these can be broadly categorised as *Financial Assets*, *Financial Liabilities* or *Residual Interests* in accordance with the substance of the contractual agreement. The municipality only recognises a Financial Instrument when it becomes a party to the contractual provisions of the instrument.

##### Initial Recognition

Financial Assets and Financial Liabilities are recognised on the municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

The municipality does not offset a Financial Asset and a Financial Liability unless a legally enforceable right to set off the recognised amounts currently exist and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

##### Fair Value Methods and Assumptions

The fair values of Financial Instruments are determined as follows:

- The fair values of quoted investments are based on current bid prices.
- If the market for a Financial Asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

##### The Effective Interest Rate Method

The Effective Interest Method is a method of calculating the amortised cost of a Financial Asset or a Financial Liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the Financial Instrument or, when appropriate, a shorter period to the net carrying amount of the Financial Asset or Financial Liability.

##### Amortised Cost

Amortised Cost is the amount at which the Financial Asset or Financial Liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation, using the Effective Interest Rate Method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

#### 6.1 Financial Assets – Classification

A Financial Asset is any asset that is a cash, a contractual right to receive cash or another financial asset from another entity.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

- **Financial Assets measured at Amortised Cost** are non-derivative Financial Assets with fixed or determinable payments that are not quoted in an active market. They are included in Current Assets, except for maturities greater than 12 months, which are classified as Non-current Assets. Financial Assets at Amortised Cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. After initial recognition, Financial Assets are measured at amortised cost, using the *Effective Interest Rate Method* less a provision for impairment.

## MIER LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 6. FINANCIAL INSTRUMENTS (Continued)

- **Financial Assets measured at Fair Value** are financial assets that meet either of the following conditions:
  - (i) Derivatives;
  - (ii) Combined instruments that are designated at fair value;
  - (iii) Instruments held for trading;
  - (iv) Non-derivative Financial Instruments with fixed or determinable payments that are designated at fair value at initial recognition; or
  - (v) Financial Instruments that do not meet the definition of Financial Instruments at Amortised Cost or Financial Instruments at Cost.
- **Financial Assets measured at Cost** are investments in residual Interest that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

The municipality has the following types of Financial Assets as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Non-current Investments	Financial Assets at Amortised Cost
Long-term Receivables	Financial Assets at Amortised Cost
Receivables from Exchange Transactions	Financial Assets at Amortised Cost
Receivables from Non-exchange Transactions	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Notice Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Call Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Bank	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Cash	Financial Assets at Fair Value
Current Portion of Non-current Investments	Financial Assets at Amortised Cost
Current Portion of Long-term Receivables	Financial Assets at Amortised Cost

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). Cash Equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, which are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash Flow Statement, Cash and Cash Equivalents comprise cash-on-hand and deposits held on call with banks, net of bank overdrafts. The municipality categorises Cash and Cash Equivalents as Financial Assets at Amortised Cost.

#### 6.2 Financial Liabilities – Classification

A Financial Liability is a contractual obligation to deliver cash or another Financial Assets to another entity.

There are three main categories of Financial Liabilities, the classification determining how they are measured. Financial Liabilities may be measured at:

- (i) Financial Liabilities measured at Fair Value;
- (ii) Financial Liabilities measured at Amortised Cost; or
- (iii) Financial Liabilities measured at Cost.

The municipality has the following types of Financial Liabilities as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Long-term Liabilities	Financial Liabilities at Amortised Cost
Payables from Exchange Transactions	Financial Liabilities at Amortised Cost
Payables from Non-exchange Transactions	Financial Liabilities at Amortised Cost
Bank Overdraft	Financial Liabilities at Amortised Cost
Short-term Loans	Financial Liabilities at Amortised Cost
Current Portion of Long-term Liabilities	Financial Liabilities at Amortised Cost

**Financial Liabilities that are measured at Fair Value** are Financial Liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of Financial Instruments where there is recent actual evidence of short-term profiteering or are derivatives).

Bank Overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

## MIER LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 6. FINANCIAL INSTRUMENTS (Continued)

##### 6.3 Initial and Subsequent Measurement

###### 6.3.1 Financial Assets:

###### Financial Assets measured at Amortised Cost

*Financial Assets at Amortised Cost* are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at amortised cost using the *Effective Interest Method* less any impairment, with interest recognised on an *Effective Yield Basis*.

*Trade and Other Receivables* (excluding Value Added Taxation, Prepayments and Operating Lease receivables), Loans to Municipal Entities and Loans that have fixed and determinable payments that are not quoted in an active market are classified as *Financial Assets at Amortised Cost*.

###### Financial Assets measured at Fair Value

*Financial Assets at Fair Value* are initially measured at fair value, excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

###### 6.3.2 Financial Liabilities:

###### Financial Liabilities measured at Fair Value

*Financial Liabilities at Fair Value* are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

###### Financial Liabilities held at Amortised Cost

Any other Financial Liabilities are classified as *Other Financial Liabilities* (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at fair value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the *Effective Interest Rate Method*. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank Borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the *Accrual Basis* and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

##### 6.4 Impairment of Financial Assets

Financial Assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial Assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

###### 6.4.1 Financial Assets at Amortised Cost

Accounts Receivable encompass Long-term Debtors, Receivables from Exchange Transactions (Consumer Debtors) and Receivables from Non-exchange Transactions (Other Debtors).

Initially Accounts Receivable are valued at fair value plus transaction costs, and subsequently carried at amortised cost using the *Effective Interest Rate Method*. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of Accounts Receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the Financial Asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of Financial Assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

## MIER LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 6. FINANCIAL INSTRUMENTS (Continued)

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortised Cost with the exception of Consumer Debtors, where the carrying amount is reduced through the use of an allowance account. When a Consumer Debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

##### 6.4.2 Financial Assets at Cost

If there is objective evidence that an impairment loss has been incurred on an investment in a Residual Interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the Financial Asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

##### 6.5 *Derecognition of Financial Assets*

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the Financial Asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred Financial Asset, the municipality continues to recognise the Financial Asset and also recognises a collateralised borrowing for the proceeds received.

##### 6.6 *Derecognition of Financial Liabilities*

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the Financial Liability (or part of a Financial Liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

#### 7. INVESTMENT IN JOINT VENTURES

A Joint Venture is a contractual arrangement whereby the municipality and the other parties undertake an economic activity that is subject to joint control. Interests in jointly controlled entities are stated at cost.

#### 8. INVENTORIES

##### 8.1 *Initial Recognition*

Inventories comprise current assets held-for-sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the Inventories to their current location and condition. Where Inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where Inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as Inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

## MIER LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 8. INVENTORIES (Continued)

##### 8.2 Subsequent Measurement

###### 8.2.1 Consumable Stores, Raw Materials, Work-in-Progress and Finished Goods

Consumable stores, raw materials, work-in-progress, inventories distributed at no charge or for a nominal charge and finished goods are valued at the lower of cost and net realisable value (net amount that the municipality expects to realise from the sale on Inventory in the ordinary course of business). The cost is determined using the (FIFO / weighted average) cost of commodities.

###### 8.2.2 Water Inventory

Water is regarded as Inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes, etc). However, water in dams, that are filled by natural resources and that has not yet been treated, that is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, is therefore not recognised in the Statement of Financial Position.

The basis of determining the cost of water purchased and not yet sold at Statement of Financial Position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the Inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the *FIFO Method*, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

###### 8.2.3 Unsold Properties

Unsold properties are valued at the lower of cost and net realisable value on a *FIFO / Weighted Average Cost Basis*. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

###### 8.2.4 Other Inventories

Redundant and slow-moving Inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such Inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of Inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of Inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of Inventories is recognised as an expense in the period that the Inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

#### 9. REVENUE RECOGNITION

##### 9.1 General

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits or service potential will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below, except when specifically stated otherwise. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore, services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

## MIER LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 9. REVENUE RECOGNITION (Continued)

*Revenue from Exchange Transactions* refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

*Revenue from Non-exchange Transactions* refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

##### 9.2 Revenue from Exchange Transactions

###### 9.2.1 Service Charges

Service Charges are levied in terms of approved tariffs.

Service Charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to all properties that have improvements. Tariffs are determined per category of property usage, and are levied based on the number of refuse collections on each property during the week.

Service charges relating to sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to all properties. Tariffs are determined per category of property usage, and are levied based on the extent of each property.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

###### 9.2.2 Prepaid Electricity

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards made seven days before year-end are recognised as an unutilised portion based on an estimate of the prepaid electricity consumed as at the reporting date.

###### 9.2.3 Rentals Received

Revenue from the rental of facilities and equipment is recognised on a *Straight-line Basis* over the term of the lease agreement.

###### 9.2.4 Finance Income

Interest earned on investments is recognised in the Statement of Financial Performance on the *Time-proportionate Basis* that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on Trust Funds is allocated directly to the fund.
- Interest earned on unutilised Conditional Grants is allocated directly to the Creditor: Unutilised Conditional Grants, if the grant conditions indicate that interest is payable to the funder.

###### 9.2.5 Dividends

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.



## MIER LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 9. REVENUE RECOGNITION (Continued)

##### 9.2.6 Royalties

Royalties are recognised on an *Accrual Basis* in accordance with the substance of the relevant agreement. Royalties determined on a time basis are recognised on a *Straight-line Basis* over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

##### 9.2.7 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

##### 9.2.8 Revenue from Agency Services

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified. The revenue recognised is in terms of the agency agreement.

##### 9.2.9 Sale of Goods (including Houses)

Revenue from the sale of goods is recognised when all the following conditions have been met:

- (a) The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) The amount of revenue can be measured reliably;
- (d) It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- (e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### 9.3 Revenue from Non-exchange Transactions

An inflow of resources from a Non-exchange Transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a Non-exchange Transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

##### 9.3.1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a *Time-proportionate Basis* with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

##### 9.3.2 Fines

Fines constitute both spot fines and summonses. Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably.

There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender.

An estimate is made for revenue from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue is recognised when the public prosecutor pays the cash collected over to the municipality.

Revenue for fines is recognised when the fine is issued at the full amount of the receivable.

## MIER LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 9. REVENUE RECOGNITION (Continued)

Assessing and recognising impairment is an event that takes place subsequent to the initial recognition of revenue charged. The municipality assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment is not be made at the time of initial recognition.

##### 9.3.3 Public Contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired from non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

##### 9.3.4 Government Grants and Receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the Statement of Financial Performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

##### 9.3.5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

## MIER LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 10. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

##### **10.1 Provision for Restructuring Cost**

A provision for Restructuring Costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring, identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken;
  - when the plan will be implemented; and
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

##### **10.2 Provision for Environmental Rehabilitation**

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

## MIER LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 11. EMPLOYEE BENEFIT LIABILITIES

The municipality changed its Accounting Policy from IAS 19 to GRAP 25 with no effect on the financial information previously disclosed.

##### **11.1 Short-term Employee Benefits**

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The municipality has opted to treat its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

##### **11.2 Post-employment Benefits**

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

###### **11.2.1 Defined Contribution Plans**

A **Defined Contribution Plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

###### **11.2.2 Defined Benefit Plans**

A **Defined Benefit Plan** is a post-employment benefit plan other than a defined contribution plan.

###### **Post-retirement Health Care Benefits**

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. Not all Medical Aid Funds with which the Municipality is associated, provide for continued membership.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the *Projected Unit Credit Method*, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

###### **Long-service Allowance**

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The *Projected Unit Credit Method* is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance.

## MIER LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 11. EMPLOYEE BENEFIT LIABILITIES (Continued)

##### **Provincially-administered Defined Benefit Plans**

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

##### **Defined Benefit Pension Plans**

The municipality has an obligation to provide Post-retirement Pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The municipality contributes monthly to the funds.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the *Projected Unit Credit Method*. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

#### 12. LEASES

##### **12.1 Classification**

Leases are classified as **Finance Leases** where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as **Operating Leases**.

##### **12.2 The Municipality as Lessee**

###### **12.2.1 Finance Leases**

Where the municipality enters into a finance lease, property, plant and equipment or intangible assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset, plus any direct costs incurred. Lease payments are allocated between the finance cost and the capital repayment using the *Effective Interest Rate Method*. Finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the finance cost and the capital repayment using the *Effective Interest Rate Method*. Finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

###### **12.2.2 Operating Leases**

The municipality recognises operating lease rentals as an expense in the Statement of Financial Performance on a *Straight-line Basis* over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a *Straight-line Basis*, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

## MIER LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 12. LEASES (Continued)

##### 12.3 The Municipality as Lessor

Amounts due from lessees under **Finance Leases** or instalment sale agreements are recorded as receivables at the amount of the municipality's net investment in the leases. Finance lease or instalment sale revenue is allocated to accounting periods so as to reflect a constant periodic rate of return on the municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Rental revenue from **Operating Leases** is recognised on a *Straight-line Basis* over the term of the relevant lease.

##### 12.4 Determining whether an Arrangement contains a Lease

At inception of an arrangement, the municipality determines whether such an arrangement is, or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the municipality the right to control the use of the underlying asset. At inception, or upon reassessment of the arrangement, the municipality separates payments and other considerations required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the municipality's incremental borrowing rate.

#### 13. BORROWING COSTS

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance in accordance with the requirements of GRAP 5.

To the extent that the municipality borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the municipality shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the municipality that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that the municipality capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

The municipality ceases to capitalise borrowing costs when substantially all the activities necessary to prepare the qualifying assets for its intended use has been completed. Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the municipality shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part.

#### 14. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- (a) Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- (b) Expect to be repaid in future; or
- (c) Expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

#### 15. VALUE ADDED TAX

The municipality accounts for Value Added Tax on the Payments Basis in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).

## MIER LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 16. UNAUTHORISED EXPENDITURE

Unauthorised Expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to Unauthorised Expenditure is accounted for as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### 17. IRREGULAR EXPENDITURE

Irregular Expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998), or is in contravention of the Municipality's or Municipal Entities' Supply Chain Management Policies. Irregular Expenditure excludes Unauthorised Expenditure. Irregular Expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### 18. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and Wasteful Expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### 19. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

**Changes in Accounting Policies** that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality restated the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Changes in Accounting Policies are disclosed in the Notes to the Annual Financial Statements where applicable.

**Changes in Accounting Estimates** are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the Notes to the Annual Financial Statements where applicable.

**Correction of Errors** is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Correction of Errors are disclosed in the Notes to the Annual Financial Statements where applicable.

#### 20. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

#### 21. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

**Contingent Liabilities** represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

**Contingent Assets** represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent Assets and Contingent Liabilities are not recognised. Contingencies are disclosed in Notes to the Annual Financial Statements.

## MIER LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 22. COMMITMENTS

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance, but are included in the disclosure Notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure Notes to the Annual Financial Statements.
- Other commitments for contracts that are non-cancellable or only cancellable at significant cost, should relate to something other than the business of the municipality.

#### 23. RELATED PARTIES

The municipality is still applying IPSA 20 and have not yet adopted GRAP 20.

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the Councillors, Mayor, Executive Committee Members, Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

#### 24. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as Non-adjusting Events after the Reporting Date have been disclosed in Notes to the Annual Financial Statements.

#### 25. COMPARATIVE INFORMATION

##### ***25.1 Current Year Comparatives***

In accordance with GRAP 1 Budgeted Amounts have been provided and forms part of the Annual Financial Statements.

##### ***25.2 Prior Year Comparatives***

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

##### ***25.3 Budget Information***

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the Accounting Policies adopted by the Council for the preparation of these Annual Financial Statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the statement giving reasons for overall growth or decline in the budget and motivations for over- or under spending on line items. The annual budget figures included in the Annual Financial Statements are for the municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification.

The approved budget covers the period from 1 July 2014 to 30 June 2015.



**MIER LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
**R**

**2014**  
**R**

**1. GENERAL INFORMATION**

Mier Local Municipality (the municipality) is a local government institution in Rietfontein, Northern Cape Province, and is one of six local municipalities under the jurisdiction of the Siyanda District Municipality. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

**2. INVENTORIES**

Consumable Stores	433,018	706,755
<b>Total Inventories</b>	<b>433,018</b>	<b>706,755</b>

Inventories are held for own use and measured at the lower of Cost and Current Replacement Cost. No write downs of Inventory to Net Realisable Value were required.

No Water Inventory could be measured as the municipality does not have sufficient programs or skills to measure the water levels at yearend.

No Inventories have been pledged as collateral for Liabilities of the municipality.

**3. RECEIVABLES FROM EXCHANGE TRANSACTIONS**

	<b>Gross Balances R</b>	<b>Provision for Impairment R</b>	<b>Net Balances R</b>
<b>As at 30 June 2015</b>			
Service Debtors:	17,120,837	15,416,139	1,704,698
Refuse	5,807,287	5,240,064	567,223
Sewerage	4,705,324	4,190,083	515,241
Water	6,608,226	5,985,992	622,233
Other Receivables	1,091,449	766,159	325,290
Other Debtors	1,091,449	766,159	325,290
<b>Total Receivables from Exchange Transactions</b>	<b>18,212,286</b>	<b>16,182,297</b>	<b>2,029,988</b>
	<b>Gross Balances R</b>	<b>Provision for Impairment R</b>	<b>Net Balances R</b>
<b>As at 30 June 2014</b>			
Service Debtors:	13,449,241	13,016,344	432,897
Refuse	4,504,673	4,362,000	142,674
Sewerage	3,765,464	3,791,025	(25,561)
Water	5,179,104	4,863,319	315,785
Other Receivables	2,967,695	2,760,575	207,120
Other Debtors	2,967,695	2,760,575	207,120
<b>Total Receivables from Exchange Transactions</b>	<b>16,416,936</b>	<b>15,776,919</b>	<b>640,017</b>

The prior year amount for *Receivables from Exchange Transactions* has been restated due to the correction of retail debtors opening balances. The correction is a result of correct contract implementation. Refer to Note 35.7 on "Correction of Error" for details of the reclassification.

Other Receivables include outstanding debtors for various other services, e.g. Deposits, Interest, Rentals and Sundry Services like Dumping Fees, Impounding Fees, etc.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The municipality receives applications that it processes. Deposits are not required to be paid for all water accounts opened. There are no consumers who represent more than 5% of the total balance of Receivables.

At 30 June 2015, the municipality is owed R3,059,744 (30 June 2014: R1,584,436) by National and Provincial Government.

The municipality did not pledge any of its Receivables as security for borrowing purposes.

**MIER LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
**R**

**2014**  
**R**

**3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)**

**3.1 Ageing of Receivables from Exchange Transactions**

**As at 30 June 2015**

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>Refuse:</b>					
Gross Balances	113,459	64,623	66,959	5,562,246	5,807,287
Less: Provision for Impairment	54,166	53,339	53,117	5,079,442	5,240,064
<b>Net Balances</b>	<b>59,293</b>	<b>11,284</b>	<b>13,842</b>	<b>482,804</b>	<b>567,223</b>
<b>Sewerage:</b>					
Gross Balances	58,224	45,621	50,105	4,551,374	4,705,324
Less: Provision for Impairment	39,083	33,791	33,755	4,083,452	4,190,083
<b>Net Balances</b>	<b>19,141</b>	<b>11,829</b>	<b>16,350</b>	<b>467,921</b>	<b>515,241</b>
<b>Water:</b>					
Gross Balances	69,437	64,196	65,221	6,409,372	6,608,226
Less: Provision for Impairment	57,445	52,176	52,759	5,823,612	5,985,992
<b>Net Balances</b>	<b>11,992</b>	<b>12,020</b>	<b>12,462</b>	<b>585,760</b>	<b>622,233</b>
<b>Other Receivables:</b>					
Gross Balances	106,830	42,294	32,410	909,914	1,091,449
Less: Provision for Impairment	54,762	4,446	213	706,737	766,159
<b>Net Balances</b>	<b>52,068</b>	<b>37,848</b>	<b>32,197</b>	<b>203,177</b>	<b>325,290</b>

As at 30 June Receivables of R1,887,494 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>All Receivables:</b>				
Gross Balances	216,734	214,695	17,432,906	17,864,335
Less: Provision for Impairment	143,752	139,845	15,693,244	15,976,841
<b>Net Balances</b>	<b>72,982</b>	<b>74,850</b>	<b>1,739,662</b>	<b>1,887,494</b>

**As at 30 June 2014**

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>Refuse:</b>					
Gross Balances	61,204	58,273	58,218	4,326,979	4,504,673
Less: Provision for Impairment	58,570	56,930	56,954	4,189,546	4,362,000
<b>Net Balances</b>	<b>2,634</b>	<b>1,343</b>	<b>1,264</b>	<b>137,433</b>	<b>142,674</b>
<b>Sewerage:</b>					
Gross Balances	38,804	28,625	28,625	3,669,410	3,765,464
Less: Provision for Impairment	35,614	27,627	27,627	3,700,157	3,791,025
<b>Net Balances</b>	<b>3,190</b>	<b>998</b>	<b>998</b>	<b>(30,747)</b>	<b>(25,561)</b>
<b>Water:</b>					
Gross Balances	122,581	94,140	79,076	4,883,307	5,179,104
Less: Provision for Impairment	65,358	93,033	77,982	4,626,946	4,863,319
<b>Net Balances</b>	<b>57,222</b>	<b>1,107</b>	<b>1,095</b>	<b>256,361</b>	<b>315,785</b>

**MIER LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

				2015 R	2014 R
<b>3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)</b>					
<b><i>Other Receivables:</i></b>					
Gross Balances	132,627	21,733	19,112	2,794,224	2,967,695
Less: Provision for Impairment	44,866	13,652	12,079	2,689,979	2,760,575
<b>Net Balances</b>	<b>87,761</b>	<b>8,081</b>	<b>7,033</b>	<b>104,245</b>	<b>207,120</b>

As at 30 June Receivables of R489,210 were past due but not impaired. The age analysis of these Receivables are as follows:

	<b>Past Due</b>			<b>Total</b>
	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
<b><i>All Receivables:</i></b>				
Gross Balances	202,771	185,031	15,673,920	16,061,722
Less: Provision for Impairment	191,241	174,642	15,206,628	15,572,511
<b>Net Balances</b>	<b>11,530</b>	<b>10,389</b>	<b>467,292</b>	<b>489,210</b>

**3.2 Summary of Receivables from Exchange Transactions by Customer Classification**

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
<b>As at 30 June 2015</b>				
<u><i>Current:</i></u>				
0 - 30 days	223,625	110,175	14,151	-
<u><i>Past Due:</i></u>				
31 - 60 Days	175,249	27,681	13,805	-
61 - 90 Days	168,738	23,260	22,697	-
+ 90 Days	16,502,832	729,244	200,831	-
Sub-total	17,070,443	890,359	251,483	-
Less: Provision for Impairment	15,582,791	599,506	-	-
<b>Total Trade Receivables by Customer Classification</b>	<b>1,487,652</b>	<b>290,853</b>	<b>251,483</b>	<b>-</b>

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
<b>As at 30 June 2014</b>				
<u><i>Current:</i></u>				
0 - 30 days	132,902	132,432	89,881	-
<u><i>Past Due:</i></u>				
31 - 60 Days	168,950	28,964	4,858	-
61 - 90 Days	153,667	27,899	3,465	-
+ 90 Days	11,709,271	3,658,787	305,862	-
Sub-total	12,164,789	3,848,082	404,065	-
Less: Provision for Impairment	12,149,500	3,627,420	-	-
<b>Total Trade Receivables by Customer Classification</b>	<b>15,290</b>	<b>220,662</b>	<b>404,065</b>	<b>-</b>

**3.3 Reconciliation of the Provision for Impairment**

Balance at beginning of year	15,776,920	14,348,694
<i>All Consumer Debtors</i>	15,776,920	14,348,694
Impairment Losses recognised	405,378	1,428,225
<i>All Consumer Debtors</i>	405,378	1,428,225
<b>Balance at end of year</b>	<b>16,182,298</b>	<b>15,776,920</b>

**MIER LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)</b>		

The transactions for *Provision for Impairment* have been restated to correctly classify amounts held for Assessment Rates Debtors, now included in Trade Receivables from Non-exchange Transactions, in terms of GRAP 104. Refer to Note 35.9 on "Change in Accounting Policy" for details of the restatement.

In determining the recoverability of a Receivable, the municipality considers any change in the credit quality of the Receivable from the date credit was initially granted up to the reporting date. Furthermore, the municipality has also placed a strong emphasis on verifying the indigent status of consumers. The concentration of credit risk is limited due to the customer base being spread over a large number of consumers and is not concentrated in any particular sector or geographical area. Accordingly, management believe that there is no further credit provision required in excess of the Provision for Impairment.

In determining the recoverability of Receivables, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable.

**3.4 Ageing of impaired Receivables from Exchange Transactions**

Current:

0 - 30 Days	205,457	204,408
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Past Due:

31 - 60 Days	143,752	191,241
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61 - 90 Days	139,845	174,642
--------------	---------	---------

+ 90 Days	15,693,244	15,206,628
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<b>Total</b>	<b>16,182,297</b>	<b>15,776,919</b>
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**3.5 Derecognition of Financial Assets**

No Financial Assets have been transferred to other parties during the year.

**4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

	<b>Gross Balances R</b>	<b>Provision for Impairment R</b>	<b>Net Balances R</b>
<b>As at 30 June 2015</b>			
Assessment Rates Debtors	6,000,823	3,026,882	2,973,941
Sundry Debtors	470,650	97,932	372,717
<b>Total Receivables from Non-exchange Transactions</b>	<b>6,471,472</b>	<b>3,124,814</b>	<b>3,346,658</b>
	<b>Gross Balances R</b>	<b>Provision for Impairment R</b>	<b>Net Balances R</b>
<b>As at 30 June 2014</b>			
Assessment Rates Debtors	5,072,076	2,820,359	2,251,718
Payments made in Advance	62,333	-	62,333
Sundry Debtors	2,776,886	-	2,776,886
<b>Total Receivables from Non-exchange Transactions</b>	<b>7,911,295</b>	<b>2,820,359</b>	<b>5,090,937</b>

The prior year amount for *Receivables from Non-exchange Transactions* has been adjusted due to the correction of incorrect credit balances on assesment rates from 2009. Refer to Note 35.6 on "Correction of Error" for details of the restatement.

Included in **Payments made in Advance** is and amount of R0 (2014: R 62,333.40) which is in respect of the purchase of assets, but the municipality only received the goods during Aug 2014.

**Sundry Debtors** are in respect of debits outstanding at year-end on normal business transactions entered into by the municipality.

**MIER LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
**R**

**2014**  
**R**

**4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (Continued)**

The municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the municipality's financial liabilities.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and National / Provincial Departments as well as Other Debtors. The current payment ratios of Other Debtors were also taken into account for fair value determination.

**4.1 Ageing of Receivables from Non-exchange Transactions**

**As at 30 June 2015**

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>Assessment Rates:</b>					
Gross Balances	9,578	2,023	3,101	5,986,121	6,000,823
Less: Provision for Impairment	71,052	2,023	1	2,953,807	3,026,882
<b>Net Balances</b>	<b>(61,474)</b>	<b>1</b>	<b>3,100</b>	<b>3,032,314</b>	<b>2,973,941</b>
<b>Sundry Debtors:</b>					
Gross Balances	322,042	6,350	-	142,257	470,650
Less: Provision for Impairment	7,468	5,009	-	85,456	97,932
<b>Net Balances</b>	<b>314,575</b>	<b>1,341</b>	<b>-</b>	<b>56,801</b>	<b>372,717</b>

As at 30 June Receivables of R3,093,557 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>All Receivables:</b>				
Gross Balances	8,373	3,101	6,128,378	6,139,852
Less: Provision for Impairment	7,032	1	3,039,262	3,046,295
<b>Net Balances</b>	<b>1,342</b>	<b>3,100</b>	<b>3,089,116</b>	<b>3,093,557</b>

**As at 30 June 2014**

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>Assessment Rates:</b>					
Gross Balances	55,373	1	1	5,016,701	5,072,076
Less: Provision for Impairment	9,423	1	1	2,810,934	2,820,359
<b>Net Balances</b>	<b>45,951</b>	<b>-</b>	<b>-</b>	<b>2,205,767</b>	<b>2,251,718</b>
<b>Payments made in Advance:</b>					
Gross Balances	62,333	-	-	-	62,333
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>62,333</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>62,333</b>
<b>Sundry Debtors:</b>					
Gross Balances	2,633,358	-	-	143,528	2,776,886
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>2,633,358</b>	<b>-</b>	<b>-</b>	<b>143,528</b>	<b>2,776,886</b>

As at 30 June Receivables of R2,349,294 were past due but not impaired. The age analysis of these Receivables are as follows:

**MIER LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R			2014 R
<b>4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (Continued)</b>				
	<b>Past Due</b>			<b>Total</b>
	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
<i>All Receivables:</i>				
Gross Balances	1	1	5,160,228	5,160,230
Less: Provision for Impairment	1	1	2,810,934	2,810,936
<b>Net Balances</b>	<b>-</b>	<b>-</b>	<b>2,349,294</b>	<b>2,349,294</b>

**4.2 Summary of Assessment Rates Debtors by Customer Classification**

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
<b>As at 30 June 2015</b>				
<i>Current:</i>				
0 - 30 days	(21,071)	6,439	24,210	-
<i>Past Due:</i>				
31 - 60 Days	-	2,023	-	-
61 - 90 Days	1	-	3,099	-
+ 90 Days	2,191,402	1,013,767	2,780,952	-
Sub-total	2,170,332	1,022,230	2,808,261	-
Less: Provision for Impairment	2,028,227	998,655	-	-
<b>Total Rates Debtors by Customer Classification</b>	<b>142,105</b>	<b>23,575</b>	<b>2,808,261</b>	<b>-</b>

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
<b>As at 30 June 2014</b>				
<i>Current:</i>				
0 - 30 days	46,058	(1,411)	10,727	-
<i>Past Due:</i>				
31 - 60 Days	1	-	-	-
61 - 90 Days	1	-	-	-
+ 90 Days	3,356,998	490,058	1,169,644	-
Sub-total	3,403,057	488,647	1,180,371	-
Less: Provision for Impairment	2,418,629	401,729	-	-
<b>Total Rates Debtors by Customer Classification</b>	<b>984,428</b>	<b>86,918</b>	<b>1,180,371</b>	<b>-</b>

	2015 R	2014 R
<b>4.3 Reconciliation of Provision for Impairment</b>		
Balance at beginning of year	2,820,359	2,448,982
<i>Other Debtors</i>	-	-
<i>Assessment Rates Debtors</i>	2,820,359	2,448,982
Impairment Losses recognised	304,456	371,376
<i>Other Debtors</i>	1,768	-
<i>Assessment Rates Debtors</i>	302,687	371,376
<b>Balance at end of year</b>	<b>3,124,814</b>	<b>2,820,359</b>

**MIER LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (Continued)</b>		
The Provision for Impairment on Receivables exists predominantly due to the possibility that these debts will not be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.		
The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and by calculating the historical payment ratios for the groupings and by assuming that the future payment ratios would be similar to the historical payment ratios.		
In determining the recoverability of a Rates Assessment Debtor and Receivables from Non-exchange Transactions, the municipality considers any change in the credit quality of the Rates Assessment Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.		
No Provision for Impairment has been made in respect of government debt as these amounts are considered to be fully recoverable.		
The following Loans and Receivables are included in the total amount of the Provision for Impairment:		
Assessment Rates Debtors	1,768	-
Sundry Debtors	3,123,046	2,820,359
<b>Total Provision for Impairment on Receivables from Non-exchange Transactions</b>	<b>3,124,814</b>	<b>2,820,359</b>
<b>5. VAT RECEIVABLE</b>		
Vat Receivable.	2,883,564	1,560,602
	<b>2,883,564</b>	<b>1,560,602</b>
Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.		
No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.		
<b>6. CASH AND CASH EQUIVALENTS</b>		
Current Investments	976,952	7,299,273
Bank Accounts	43,223	221,246
<b>Total Bank, Cash and Cash Equivalents</b>	<b>1,020,176</b>	<b>7,520,519</b>
For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.		
<b>6.1 Current Investment Deposits</b>		
Notice Deposits	976,952	7,299,273
<b>Total Current Investment Deposits</b>	<b>976,952</b>	<b>7,299,273</b>
<b>Call Deposits</b> are investments with a maturity period of less than 3 months and earn interest rates varying from 4,30 % to 5,22 % (2012: 4,40% to 5,30%) per annum.		
Deposits attributable to Unspent Conditional Grants	976,952	7,299,273
<b>Total Deposits attributable to Commitments of the Municipality</b>	<b>976,952</b>	<b>7,299,273</b>

**MIER LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>6. CASH AND CASH EQUIVALENTS (Continued)</b>		
<b>6.2 Bank Accounts</b>		
Cash in Bank	43,223	221,246
<b>Total Bank Accounts</b>	<u><u>43,223</u></u>	<u><u>221,246</u></u>

The Municipality has the following bank accounts:

**Primary Bank Account - Standard Bank - Acc No: 406 81 092**

Cash book balance at beginning of year	221,246	4,912,360
Cash book balance at end of year	<u><u>43,223</u></u>	<u><u>221,246</u></u>
Bank statement balance at beginning of year	231,579	4,913,158
Bank statement balance at end of year	<u><u>53,486</u></u>	<u><u>231,579</u></u>

An amount of R966 403 (2014: R7 299 273) is attributable to Unspent Conditional Grants.

The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

The management of the municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.



**MIER LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**7 PROPERTY, PLANT AND EQUIPMENT**

**30 June 2015**

**Reconciliation of Carrying Value**

Description	Land	Buildings	Infra- structure	Other	Leased Assets	Total
	R	R	R	R	R	R
<b>Carrying values at 01 July 2014</b>	<b>106,665,618</b>	<b>25,850,398</b>	<b>101,450,140</b>	<b>1,063,539</b>	<b>51,973</b>	<b>235,081,669</b>
Cost	106,665,618	41,487,032	175,038,197	2,637,544	200,785	326,029,175
- Completed Assets	106,665,618	41,346,752	174,368,236	2,637,544	200,785	325,218,934
- Under Construction	-	140,280	669,961	-	-	810,241
Accumulated Impairment Losses	-	-	(8,772)	(17,514)	(40,322)	(66,607)
Accumulated Depreciation:	-	(15,636,633)	(73,579,285)	(1,556,491)	(108,490)	(90,880,899)
- Cost	-	(15,636,633)	(73,579,285)	(1,556,491)	(108,490)	(90,880,899)
Acquisitions	-	1,907,488	8,027,405	1,248,794	6,947	11,190,635
Capital under Construction - Additions:	-	-	3,741,301	-	-	3,741,301
- Cost	-	-	3,741,301	-	-	3,741,301
Depreciation:	-	(957,575)	(6,086,818)	(254,569)	(32,064)	(7,331,026)
- Based on Cost	-	(957,575)	(6,086,818)	(254,569)	(32,064)	(7,331,026)
Carrying value of Disposals:	-	-	(76,925)	(14,969)	-	(91,894)
- Cost	-	-	(1,101,476)	(75,182)	-	(1,176,658)
- Accumulated Depreciation	-	-	1,024,551	60,213	-	1,084,764
- Based on Cost	-	-	1,024,551	60,213	-	1,084,764
Impairment Losses	-	-	(15,820)	(56,583)	-	(72,403)
<b>Carrying values at 30 June 2015</b>	<b>106,665,618</b>	<b>26,800,312</b>	<b>107,039,283</b>	<b>1,986,212</b>	<b>26,857</b>	<b>242,518,282</b>
Cost	106,665,618	43,394,520	185,705,427	3,811,155	207,732	339,784,452
- Completed Assets	106,665,618	43,254,240	181,964,126	3,811,155	207,732	335,902,871
- Under Construction	-	140,280	3,741,301	-	-	3,881,581
Accumulated Impairment Losses	-	-	(24,592)	(74,097)	(40,322)	(139,011)
Accumulated Depreciation:	-	(16,594,208)	(78,641,552)	(1,750,847)	(140,553)	(97,127,160)
- Cost	-	(16,594,208)	(78,641,552)	(1,750,847)	(140,553)	(97,127,160)

**MIER LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**7 PROPERTY, PLANT AND EQUIPMENT (Continued)**  
**30 June 2014**

**Reconciliation of Carrying Value**

Description	Land	Buildings	Infra- structure	Other	Leased Assets	Total
	R	R	R	R	R	R
<b>Carrying values at 01 July 2013</b>	<b>106,665,618</b>	<b>26,653,731</b>	<b>103,912,126</b>	<b>1,301,972</b>	<b>75,683</b>	<b>238,609,130</b>
Cost	106,665,618	41,346,752	171,471,364	2,625,741	196,364	322,305,838
- Completed Assets	106,665,618	41,346,752	171,393,379	2,625,741	196,364	322,227,853
- Under Construction	-	-	77,985	-	-	77,985
Accumulated Impairment Losses	-	-	(8,772)	(1,545)	(40,322)	(50,639)
Accumulated Depreciation:	-	(14,693,021)	(67,550,466)	(1,322,223)	(80,359)	(83,646,070)
- Cost	-	(14,693,021)	(67,550,466)	(1,322,223)	(80,359)	(83,646,070)
Acquisitions	-	-	3,146,511	181,576	4,421	3,332,508
Capital under Construction - Additions:	-	140,280	591,976	-	-	1,985,966
- Cost	-	140,280	591,976	-	-	1,985,966
Depreciation:	-	(943,612)	(6,159,756)	(352,607)	(28,130)	(7,484,106)
- Based on Cost	-	(943,612)	(6,159,756)	(352,607)	(28,130)	(7,484,106)
Carrying value of Disposals:	-	-	(40,717)	(51,433)	-	(92,150)
- Cost	-	-	(171,655)	(169,773)	-	(341,427)
- Accumulated Depreciation	-	-	130,938	118,340	-	249,277
- Based on Cost	-	-	130,938	118,340	-	249,277
Impairment Losses	-	-	-	(15,969)	-	(15,969)
<b>Carrying values at 30 June 2014</b>	<b>106,665,618</b>	<b>25,850,398</b>	<b>101,450,140</b>	<b>1,063,539</b>	<b>51,973</b>	<b>235,081,669</b>
Cost	106,665,618	41,487,032	175,038,197	2,637,544	200,785	326,029,175
- Completed Assets	106,665,618	41,346,752	174,368,236	2,637,544	200,785	325,218,934
- Under Construction	-	140,280	669,961	-	-	810,241
Accumulated Impairment Losses	-	-	(8,772)	(17,514)	(40,322)	(66,607)
Accumulated Depreciation:	-	(15,636,633)	(73,579,285)	(1,556,491)	(108,490)	(90,880,899)
- Cost	-	(15,636,633)	(73,579,285)	(1,556,491)	(108,490)	(90,880,899)

*Property, Plant and Equipment* have been restated to correct the 2013 opening balance due to Land and Buildings that was not on the asset register. Refer to Note 35.8 on "Correction of Error" for details of the restatement.

The leased Property, Plant and Equipment is secured as set out in Note 15.

Refer to Appendices "B, C and E (4)" for more detail on Property, Plant and Equipment, including those in the course of construction.

**MIER LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>7 PROPERTY, PLANT AND EQUIPMENT (Continued)</b>		
<b>7.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use</b>		
There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the municipality.		
<b>7.2 Carrying Amount of Property, Plant and Equipment retired from active use and held for disposal</b>		
No Property, Plant and Equipment were retired from active use and held for disposal during the financial year.		
<b>7.3 Assets pledged as security</b>		
The municipality did not pledge any of its assets as security.		
<b>7.4 Impairment of Property, Plant and Equipment</b>		
Impairment Losses on Property, Plant and Equipment to the amount of R72,403 (2014: R15,969) has been recognised in operating surplus and are included in Impairment Losses in the Statement of Financial Performance as indicated in Note 29.		
During the period, the municipality carried out a review of the recoverable amount of its infrastructure property, plant and equipment, having regard to its ongoing programme of modernisation and the extension of its services. These assets are used in the municipality's basic services delivery reportable segments. The review led to the recognition of an impairment loss of R72 403 (2014: R15 969), which has been recognised in the Statement of Financial Performance.		
The amount disclosed for impairment losses on Property, Plant and Equipment does not include individually material amounts of impairment losses. However, cumulative impairment losses for the following significant account balances are included therein:		
Infrastructure: Roads	15,820	-
Other Assets: Emergency Equipment	955	-
Other Assets: Furniture and Fittings	2,295	2,664
Other Assets: Motor Vehicles	35,200	-
Other Assets: Office Equipment	4,023	4,495
Other Assets: Plant and Equipment	14,110	8,809
<b>Total Impairment of Property, Plant and Equipment</b>	<b>72,403</b>	<b>15,969</b>
<b>7.5 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed</b>		
A change in the estimated useful life of various assets of the municipality has resulted in the following decreases in depreciation for the mentioned departments for the financial year:		
Executive and Council	(10,844)	-
Finance and Administration	(152,213)	-
Roads and Transport	(191,616)	-
Water	(42,798)	-
Public Works	(1,525)	-
<b>Total Change in Estimate for Useful Life of Property, Plant and Equipment</b>	<b>(398,996)</b>	<b>-</b>
<b>7.6 Land and Buildings carried at Fair Value</b>		
The municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.		

**MIER LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>8 INTANGIBLE ASSETS</b>		
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	<b>1,979,219</b>	<b>1,837,297</b>
The movement in Intangible Assets is reconciled as follows:		
	<b>Computer Software</b>	<b>Total</b>
<b>Carrying values at 01 July 2014</b>	<b>1,837,297</b>	<b>1,837,297</b>
Cost	1,874,636	1,874,636
Accumulated Amortisation	(37,339)	(37,339)
Acquisitions:	169,350	169,350
Purchased	169,350	169,350
Amortisation:	(25,693)	(25,693)
Purchased	(25,693)	(25,693)
Impairment Losses Recognised	(1,735)	(1,735)
<b>Carrying values at 30 June 2015</b>	<b>1,979,219</b>	<b>1,979,219</b>
Cost	2,043,987	2,043,987
Accumulated Amortisation	(63,033)	(63,033)
Accumulated Impairment Losses	(1,735)	(1,735)
	<b>Computer Software</b>	<b>Total</b>
<b>Carrying values at 01 July 2013</b>	<b>1,830,121</b>	<b>1,830,121</b>
Cost	1,850,601	1,850,601
Accumulated Amortisation	(20,480)	(20,480)
Acquisitions:	24,035	24,035
Purchased	24,035	24,035
Amortisation:	(16,859)	(16,859)
Purchased	(16,859)	(16,859)
<b>Carrying values at 30 June 2014</b>	<b>1,837,297</b>	<b>1,837,297</b>
Cost	1,874,636	1,874,636
Accumulated Amortisation	(37,339)	(37,339)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 28).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

**8.1 Significant Intangible Assets**

The municipality owns computer software with significant values. The carrying amount of the IMIS system was R800 000 (2014: R800 000), while the SAMRAS system has a carrying amount of R1 000 000 (2014: R1 000 000).

**8.2 Intangible Assets with Indefinite Useful Lives**

The following classes of Intangible Assets are not amortised as they are regarded as having indefinite useful lives:

Carrying Value of Computer Software: IMIS System	800,000	800,000
Carrying Value of Computer Software: SAMRAS Financial System	1,000,000	1,000,000
<b>Total Carrying Amount of Intangible Assets with Indefinite Useful Lives</b>	<b>1,800,000</b>	<b>1,800,000</b>

**Computer Software** are regarded as having Indefinite Useful Lives as they are registered permanently, the agreements not having a maturing date.

The useful lives of the Intangible Assets remain unchanged from the previous year.

Amortisation is charged on a straight-line basis over the Intangible Assets' useful lives.

**8.3 Impairment of Intangible Assets**

Impairment Losses on Intangible Assets to the amount of R1,735 (2014: R0) has been recognised in operating surplus and are included in Impairment Losses in the Statement of Financial Performance as indicated in Note 29.

The amount disclosed for impairment losses on Intangible Assets does not include individually material amounts of impairment losses. However, cumulative impairment losses for the following significant account balances are included therein:

Computer Software	1,735	-
<b>Total Impairment of Intangible Assets</b>	<b>1,735</b>	<b>-</b>

Impairment losses on Intangible Assets exist predominantly due to technological obsolescence of information technology equipment. The remainder of impaired items of Intangible Assets have been physically damaged, stolen or have become redundant and idle.

The recoverable service amount of the relevant assets of Intangible Assets has been determined on the basis of their fair value less cost to sell. The asset has been fully impaired as it became totally redundant and idle, and therefore had a fair value of R0.

**MIER LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>9 INVESTMENT PROPERTY</b>		
At Fair Value	<b>13,686,399</b>	<b>14,461,456</b>
The movement in Investment Property is reconciled as follows:		
<b>Carrying values at 1 July</b>	<b>14,461,456</b>	<b>14,461,456</b>
Fair Value	14,461,456	14,461,456
Gains/Losses from Fair Value Adjustments	(775,057)	-
<b>Carrying values at 30 June</b>	<b>13,686,399</b>	<b>14,461,456</b>
Fair Value	13,686,399	14,461,456
<b>Estimated Fair Value of Investment Property at 30 June</b>	<b>13,686,399</b>	<b>14,461,456</b>

Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:

Rental Revenue earned from Investment Property	624,622	520,228
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All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no contractual obligations on Investment Property.

Refer to Appendix "B" for more detail on Investment Property.

**9.1 Investment Property carried at Fair Value**

The municipality's Investment Property is valued annually at 30 June at fair value by DCR Consultants, an independent, professionally qualified, valuer. The valuation, which conforms to International Valuation Standards, is arrived at by reference to market evidence of transaction prices for similar properties.

The following assumptions were used:

Discount Rate	7.80%	6.74%
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**9.2 Impairment of Investment Property**

No impairment losses have been recognised on Investment Property of the municipality at the reporting date.

*The prior year amount for Investment Properties* has been adjusted due to the correction of the opening balance 1 of the original properties classified as Investment Properties was incorrectly included under Investment Property . Refer to Note 35.8 on "Correction of Error" for details of the restatement.

**10 PROVISIONS**

Current Portion of Long-term Service Liability (See Note 16)	54,038	28,484
Current Portion of Non-Current Provisions (See Note 17):	3,424,238	2,722,831
Rehabilitation of Land-fill Sites	3,424,238	2,722,831
<b>Total Provisions</b>	<b>3,478,276</b>	<b>2,751,315</b>

The movement in provisions are reconciled as follows:

**Current Portion of Non-Current Provisions:**

	Land-fill Sites R	Long-term Service R
<b>30 June 2015</b>		
Balance at beginning of year	2,722,831	28,484
Transfer from non-current	701,407	25,554
<b>Balance at end of year</b>	<u><b>3,424,238</b></u>	<u><b>54,038</b></u>

**MIER LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>10 PROVISIONS (Continued)</b>		
	<b>Land-fill Sites</b>	<b>Long-term Service</b>
	<b>R</b>	<b>R</b>
<b>30 June 2014</b>		
Balance at beginning of year	2,564,605	8,861
Transfer from non-current	158,226	19,623
<b>Balance at end of year</b>	<b><u>2,722,831</u></b>	<b><u>28,484</u></b>

**11 PAYABLES FROM EXCHANGE TRANSACTIONS**

Trade Creditors	8,479,793	7,423,578
Retentions	686,465	615,824
Other Creditors	434,599	466,063
<b>Total Payables</b>	<b><u>9,600,856</u></b>	<b><u>8,505,465</u></b>

The average credit period on purchases is 222 (2014: 280) days, as opposed to 30 days from the receipt of the invoice as determined by the MFMA.

The municipality did default on payment of its Creditors. However, no terms for payment have been re-negotiated by the municipality.

The management of the municipality is of the opinion that the carrying value of Creditors approximates their fair values.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

**12 PAYABLES FROM NON-EXCHANGE TRANSACTIONS**

Staff Bonuses	183,649	120,067
Staff Leave	249,690	213,568
Sundry Deposits	187,308	64,317
<b>Total Payables</b>	<b><u>620,647</u></b>	<b><u>397,953</u></b>

**Staff Leave** accrues to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

No credit period exists for Payables from Non-exchange Transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.

The municipality did default on payment of its Creditors. However, no terms for payment have been re-negotiated by the municipality.

The management of the municipality is of the opinion that the carrying value of Creditors approximates their fair values.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

**MIER LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
**R**

**2014**  
**R**

**13 UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

**13.1 Conditional Grants from Government**

National Government Grants  
 Provincial Government Grants

	<b>1,404,290</b>	<b>9,233,552</b>
	940,068	7,438,171
	464,222	1,795,381

*Unspent Conditional Grants and Receipts* have been restated to correct the unspent portion of the MIG grant. Refer to Note 36.5 on "Correction of Error" for details of the restatement.

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 20 for the reconciliation of Grants from Government. The Unspent Grants are cash backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants.

**14 OPERATING LEASE LIABILITIES**

Operating Leases are recognised on the straight-line basis as per the requirements of GRAP 13. In respect of Non-cancellable Operating Leases the following liabilities have been recognised:

Balance at beginning of year	73,118	126,831
Operating Lease expenses recorded	(44,146)	(53,713)
<b>Total Operating Lease Liabilities</b>	<b>28,973</b>	<b>73,118</b>

**14.1 Leasing Arrangements**

**The Municipality as Lessee:**

Operating Leases relate to Property owned by the municipality with lease terms of between 3 to 5 (2014: 2 to 5) years, with an option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

**14.2 Amounts payable under Operating Leases**

At the Reporting Date the municipality had outstanding commitments under Non-cancellable Operating Leases for Property, Plant and Equipment, which fall due as follows:

<b>Other Equipment:</b>	684,401	370,478
Up to 1 year	25,636	(42,784)
2 to 5 years	504,692	245,380
More than 5 years	154,073	167,882
<b>Total Operating Lease Arrangements</b>	<b>684,401</b>	<b>370,478</b>

No restrictions have been imposed on the municipality in terms of the operating lease agreements.

**MIER LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>15 LONG-TERM LIABILITIES</b>		
Annuity Loans	915,001	998,288
Finance Lease Liabilities	19,519	37,474
Sub-total	934,519	1,035,763
Less: Current Portion transferred to Current Liabilities:-	934,519	1,021,599
Annuity Loans	915,001	998,288
Finance Lease Liabilities	19,519	23,311
<b>Total Long-term Liabilities</b> (Neither past due, nor impaired)	-	<b>14,164</b>

**15.1 Summary of Arrangements**

Annuity Loans are repaid over periods varying from 2 to 11 (2014: 2 to 11) years and at interest rates varying from 5,00% to 7,00% (2014: 5,00% to 7,00%) per annum. The Annuity Loans are not secured.

Finance Lease Liabilities relates to Office Equipment with lease terms of 2 (2014: 5) years. The effective interest rate on Finance Leases is 9,00% (2014: 9,00%). Capitalised Lease Liabilities are secured over the items of equipment leased.

The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

In terms of the signed DBSA loan agreement Section 11.1 the municipality cede, to DBSA, security in the form of a cession over its income stream, covering the instalments outstanding, plus interest and collection charges outstanding, at any time during the term of the loan.

Refer to Appendix "A" for more detail on Long-term Liabilities.

**15.2 Obligations under Finance Lease Liabilities**

**The Municipality as Lessee:**

Finance Leases relate to Property, Plant and Equipment with lease terms not more than 5 years (2014: 5 years). The effective interest rate on Finance Leases is 9,00% (2014: 9,00%).

The municipality does not have an option to purchase the leased Property, Plant and Equipment at the conclusion of the lease agreements. The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The obligations under Finance Leases are as follows:

	<b>Minimum Lease Payments</b>		<b>Present Value of Minimum Lease Payments</b>	
	2015 R	2014 R	2015 R	2014 R
<b>Amounts payable under finance leases:</b>				
Within one year	20,061	23,311	20,061	23,311
In the second to fifth years, inclusive	-	16,876	-	16,876
Over five years	-	-	-	-
	20,061	40,187	20,061	40,187
Less: Future Finance Obligations	542	2,713	542	2,713
<b>Present Value of Minimum Lease Obligations</b>	<b>19,519</b>	<b>37,474</b>	<b>19,519</b>	<b>37,474</b>
Less: Amounts due for settlement within 12 months (Current Portion)			19,519	23,311
<b>Finance Lease Obligations due for settlement after 12 months (Non-current Portion)</b>			-	14,164



**MIER LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>15 LONG-TERM LIABILITIES (Continued)</b>		
The municipality has finance lease agreements for the following significant classes of assets:		
- Office Equipment		
Included in these classes are the following significant leases:		
(i) Different Computer Equipment	R 90,854	R 151,337
- Instalments are payable quarterly in advance		
- Average period outstanding	15 months	24 months
- Average effective interest rate	10.50%	10.50%
- Average quarterly instalment	R 708	R 1,000
<b>16 EMPLOYEE BENEFIT LIABILITIES</b>		
Long Service Awards Liability	210,396	177,808
<b>Total Employee Benefit Liabilities</b>	<b>210,396</b>	<b>177,808</b>
<b>16.1 Long Service Awards Liability</b>		
Balance at beginning of year	206,292	164,598
Current-service Cost	28,228	29,029
Interest Cost	17,620	16,016
Expenditure incurred	31,676	31,676
Actuarial (Gain)/Loss Recognised	9,102	(26,166)
Expected Employer Benefit Vestings	(28,484)	(8,861)
Balance at end of Year	264,434	206,292
Transfer to Current Provisions	(54,038)	(28,484)
<b>Total Long Service Awards Liability</b>	<b>210,396</b>	<b>177,808</b>
The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Bonus Award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter to 25 years, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.		
The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2015 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.		
At year end, 36 (2013/14: 35) employees were eligible for Long-service Awards.		
The Current-service Cost for the year ending 30 June 2015 is estimated to be R28,228, whereas the cost for the ensuing year is estimated to be R29,029 (30 June 2014: R29,029 and R28,228 respectively).		
<b>The principal assumptions used for the purposes of the actuarial valuations were as follows:</b>		
Discount Rate	7.70%	7.87%
Cost Inflation Rate	6.97%	7.10%
Net Effective Discount Rate	0.68%	0.71%
Expected Retirement Age - Females	60	60
Expected Retirement Age - Males	60	60
<b>Movements in the present value of the Defined Benefit Obligation were as follows:</b>		
Balance at the beginning of the year	206,292	164,598
Current service costs	28,228	29,029
Interest cost	17,620	16,016
Benefits paid	31,676	31,676
Actuarial losses / (gains)	9,102	(26,166)
Transitional Liability Recognised	(28,484)	(8,861)
<b>Total Recognised Benefit Liability</b>	<b>264,434</b>	<b>206,292</b>

**MIER LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R			
<b>16 EMPLOYEE BENEFIT LIABILITIES (Continued)</b>					
<b>The amounts recognised in the Statement of Financial Position are as follows:</b>					
Present value of fund obligations	264,434	206,292			
Unfunded Accrued Liability	264,434	206,292			
<b>Total Benefit Liability</b>	<b>264,434</b>	<b>206,292</b>			
<b>The amounts recognised in the Statement of Financial Performance are as follows:</b>					
Current service cost	28,228	29,029			
Interest cost	17,620	16,016			
Transitional Liability Recognised	(28,484)	(8,861)			
Actuarial losses / (gains)	40,778	5,510			
<b>Total Post-retirement Benefit included in Employee Related Costs (Note 26)</b>	<b>58,140</b>	<b>41,694</b>			
<b>The history of experienced adjustments is as follows:</b>					
	2015 R	2014 R	2013 R	2012 R	2011 R
Present Value of Defined Benefit Obligation	264,434	164,598	110,465	41,514	-
<b>Deficit</b>	<b>264,434</b>	<b>164,598</b>	<b>110,465</b>	<b>41,514</b>	<b>-</b>
In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2009 reporting period.					
The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:					
<b>Increase:</b>					
Effect on the aggregate of the current service cost and the interest cost				49,100	49,100
Effect on the defined benefit obligation				44,900	44,900
<b>Decrease:</b>					
Effect on the aggregate of the current service cost and the interest cost				42,900	42,900
Effect on the defined benefit obligation				46,900	46,900
The transitional Defined Benefit Liabilities for Long Service Awards have been recognised in the Annual Financial Statements of the municipality as at 30 June 2015 in terms of IAS 19, Employee Benefits, paragraph 155(a). The municipality has elected to recognise the full increase in this Defined Benefit Liability immediately, thus the full transitional liability have been recognised as at 30 June 2015.					
<b>17 NON-CURRENT PROVISIONS</b>					
Provision for Rehabilitation of Land-fill Sites				11,612,750	11,632,610
<b>Total Non-current Provisions</b>				<b>11,612,750</b>	<b>11,632,610</b>
<b>The movement in the Provision for Rehabilitation of Land-fill Sites is reconciled as follows:</b>					
Balance at beginning of year				14,355,441	13,716,309
Contributions to provision				681,547	639,132
				15,036,988	14,355,441
Transfer to current provisions				(3,424,238)	(2,722,831)
<b>Balance at end of year</b>				<b>11,612,750</b>	<b>11,632,610</b>
<i>The prior year amount for Non-Current Provisions has been adjusted due to the correction of the opening balance. Refer to Note 35.3 on "Correction of Error" for details of the restatement.</i>					

**MIER LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>17 NON-CURRENT PROVISIONS (Continued)</b>		
		<b>Land-fill Sites</b>
		<b>R</b>
<b>30 June 2015</b>		
Balance at beginning of year		14,355,441
Contributions to provision		681,547
		<u>15,036,988</u>
Transfer to current provisions		(3,424,238)
<b>Balance at end of year</b>		<u><b>11,612,750</b></u>
		<b>Land-fill Sites</b>
		<b>R</b>
<b>30 June 2014</b>		
Balance at beginning of year		13,716,309
Contributions to provision		639,132
		<u>14,355,441</u>
Transfer to current provisions		(2,722,831)
<b>Balance at end of year</b>		<u><b>11,632,610</b></u>

**17.1 Rehabilitation of Land-fill Sites**

In terms of the licencing of the landfill refuse site, the municipality will incur licensing and rehabilitation costs of R15,036,988 (2014: R14,355,441) to restore the sites at the end of its useful life, estimated to be in 2023. Provision has been made for the net present value of the future cost, using the average cost of borrowing interest rate.

The council will incur rehabilitation cost on its nine dumping/landfill sites over the period 2014/15 up to 2022/23. Provision has been made for the net present value of this cost.

	<b>Proposed Rehabilitation</b>		
Askham	2017/18	1,937,442	1,842,565
Groot Mier	2017/18	1,902,051	1,653,861
Philandersbron	2018/19	1,678,371	1,597,128
Swartkopdam	2018/19	1,471,364	1,400,223
Rietfontein (New)	2022/23	1,650,156	1,570,434
Welkom	2018/19	1,977,344	1,948,647
Ou Rietfontein	2013/14	1,772,767	1,772,767
Noenieput	2012/13	1,035,124	1,035,124
Noenieput(New)	2017/18	1,612,368	1,534,691
		<u><b>15,036,988</b></u>	<u><b>14,355,441</b></u>

**18 ACCUMULATED SURPLUS**

**The Accumulated Surplus consists of the following Internal Funds and Reserves:**

Accumulated Surplus / (Deficit) due to the results of Operations	240,006,598	233,091,668
<b>Total Accumulated Surplus</b>	<u><b>240,006,598</b></u>	<u><b>233,091,668</b></u>

*Accumulated Surplus* has been restated to correctly classify amounts held by the municipality. Refer to Note 35 "Correction of Error" for details of the restatements.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

**MIER LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

			2015 R	2014 R
<b>19 PROPERTY RATES</b>				
	<b>Property Valuations</b>			
	July 2015	July 2014		
Property Rates	831,087,000	547,809,300	1,490,192	980,409
<b>Total Property Rates</b>	<b>831,087,000</b>	<b>547,809,300</b>	<b>1,490,192</b>	<b>980,409</b>
Attributable to:				
Continuing Operations			1,490,192	980,409
			<b>1,490,192</b>	<b>980,409</b>

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2008. A general valuation has been performed during the financial year and will be applied with effect 1 July 2014.

Interim valuations are processed annually to take into account changes in individual property values due to alterations and subdivisions.

An general rate is applied as follows to property valuations to determine property rates:

Residential Properties: 0.00799 c/R (2013/14: 0.00754 c/R)

Business Properties: 0.01199 c/R (2013/14: 0.01131 c/R)

Agricultural Properties: 0.00062 c/R (2013/14: 0.0005 c/R)

State Properties: 0.01199 c/R (: 0.01131 c/R)

The first R15 000 (2013/14: R15 000) of the valuation of all residential properties are exempted from the calculation of rates.

**20 GOVERNMENT GRANTS AND SUBSIDIES**

National Equitable Share	12,321,000	11,016,000
<b>Operational Grants</b>	12,321,000	11,016,000
<b>Conditional Grants</b>	19,539,499	18,024,322
National: EPWP - Bloodhound Project	779,764	3,063,168
National: FMG	1,662,638	1,543,098
National: MIG	13,449,283	7,454,006
National: MSIG	844,924	796,101
National: Department of Arts and Culture	321,299	383,186
National: Department of Housing	8,575	801,291
Provincial: Dept. Public Works (Nala)	1,415,568	1,698,909
Other Government: Other	158,712	1,703,363
National: Department Public Works (DPW)	898,737	581,200
<b>Total Government Grants and Subsidies</b>	<b>31,860,499</b>	<b>29,040,322</b>
<b>20.1 National: Equitable Share</b>	<b>12,321,000</b>	<b>11,016,000</b>
<b>Summary of Grant Transfers:</b>		
Equitable Share - Capital Grants	-	-
Equitable Share - Operational Grants	12,321,000	11,016,000
Less: Conditional Grant - Conditions Met	(12,321,000)	(11,016,000)
<b>Total Transfers</b>	<b>-</b>	<b>-</b>

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy up to R166 (2014: R156), based on the monthly billing, towards the consumer account, which subsidy is determined annually by council. All residential households receive 6 kl water and 50 kWh electricity (indigents only) free every month. No funds have been withheld.

**MIER LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
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**20 GOVERNMENT GRANTS AND SUBSIDIES (Continued)**

**Conditional Grants:**

**20.2 National: Equitable Share**

Balance unspent at beginning of year	-	-
Current year receipts	12,321,000	11,016,000
Conditions met - transferred to Revenue: Operating Expenses	(12,321,000)	(11,016,000)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 13)	<u>-</u>	<u>-</u>

In terms of the Constitution, this grant is used to subsidise the provision of basic services to community members. In terms of the allocation made by National Treasury the funds are also utilised to enable the municipality to execute its functions as the local authority.

**20.3 National: EPWP - Bloodhound Project**

Balance unspent at beginning of year	270,820	(422,089)
Current year receipts	483,080	3,386,025
Conditions met - transferred to Revenue: Operating Expenses	(779,764)	(3,063,168)
Conditions met - transferred to Revenue: VAT Portion Realised	-	(52,036)
Other Adjustments/Refunds	77,936	422,089
Conditions still to be met - transferred to Liabilities (see Note 13)	<u>52,073</u>	<u>270,820</u>

This grant was received towards the Bloodhound Speed track project at Hakskeen pan. No funds have been withheld. These funds are being administrated by the District Municipality.

**20.4 National: FMG Grant**

Balance unspent at beginning of year	-	-
Current year receipts	1,800,000	1,650,000
Conditions met - transferred to Revenue: Operating Expenses	(1,662,638)	(1,543,098)
Conditions met - transferred to Revenue: VAT Portion Realised	(137,362)	(106,902)
Conditions still to be met - transferred to Liabilities (see Note 13)	<u>-</u>	<u>-</u>

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds have been withheld.

**20.5 National: MIG Funds**

Balance unspent at beginning of year	6,920,107	7,814,674
Current year receipts	8,892,000	10,808,000
Conditions met - transferred to Revenue: Capital Expenses	(13,449,283)	(7,454,006)
Conditions met - transferred to Revenue: VAT Portion Realised	(1,878,102)	(1,043,561)
Other Adjustments/Refunds	-	(3,205,000)
Conditions still to be met - transferred to Liabilities (see Note 13)	<u>484,722</u>	<u>6,920,107</u>

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, sports fields and community halls as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. An amount of R4 800 000 as been withheld for the unspent portion of 2011 of which R0 (2014: R3 205 000) has been deducted from the Equitable Share 2014.

Furthermore, the 2014 closing balance was corrected to agree with the approved roll-over amount.

In terms of MFMA Circular No 48 all conditional allocations (excluding interest earned thereon) that at year-end are not utilised, must revert back to the National Revenue Fund unless the relevant receiving officer can prove to the satisfaction of the National Treasury that the unspent allocation is committed to identifiable projects. Management reports that at year end the municipality had applied to National Treasury for a roll forward of all unspent conditional grants not committed to identifiable projects. National Treasury has, subsequent to year-end, approved the roll-over.

**MIER LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>20 GOVERNMENT GRANTS AND SUBSIDIES (Continued)</b>		
<b>20.6 National: MSIG Funds</b>		
Balance unspent at beginning of year	-	-
Current year receipts	934,000	890,000
Conditions met - transferred to Revenue: Operating Expenses	(844,924)	(796,101)
Conditions met - transferred to Revenue: VAT Portion Realised	(89,076)	(93,899)
Conditions still to be met - transferred to Liabilities (see Note 13)	<u>-</u>	<u>-</u>
The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.		
<b>20.7 National: Department Water Affairs (DWA)</b>		
Balance unspent at beginning of year	4,039	4,344
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 13)	<u>4,039</u>	<u>4,039</u>
This grant was used for the operation and maintenance of sewerage and water schemes transferred from DWA to the municipality, the refurbishment of water infrastructure. No funds have been withheld.		
<b>20.8 National: Department of Arts and Culture</b>		
Balance unspent at beginning of year	70,514	453,700
Current year receipts	489,000	-
Conditions met - transferred to Revenue: Operating Expenses	(321,299)	(383,186)
Conditions met - transferred to Revenue: VAT Portion Realised	(1,896)	-
Conditions still to be met - transferred to Liabilities (see Note 13)	<u>236,319</u>	<u>70,514</u>
This grant was received for the building and maintenance of libraries in the district. No funds have been withheld.		
<b>20.9 National: Department of Housing</b>		
Balance unspent at beginning of year	172,386	33,418
Current year receipts	-	1,052,440
Conditions met - transferred to Revenue: Operating Expenses	(8,575)	(801,291)
Conditions met - transferred to Revenue: VAT Portion Realised	(1,200)	(112,181)
Conditions still to be met - transferred to Liabilities (see Note 13)	<u>162,610</u>	<u>172,386</u>
No funds have been withheld.		
<b>20.10 Provincial: Dept. Public Works (Nala)</b>		
Balance unspent at beginning of year	1,415,568	3,128,114
Conditions met - transferred to Revenue: Operating Expenses	(1,415,568)	(1,698,909)
Conditions met - transferred to Revenue: VAT Portion Realised	-	(13,638)
Conditions still to be met - transferred to Liabilities (see Note 13)	<u>-</u>	<u>1,415,568</u>
No funds have been withheld.		

**MIER LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>20 GOVERNMENT GRANTS AND SUBSIDIES (Continued)</b>		
<b>20.11 Other Government: Other</b>		
Balance unspent at beginning of year	-	-
Current year receipts	158,712	1,703,363
Conditions met - transferred to Revenue: Operating Expenses	(158,712)	(1,703,363)
Conditions still to be met - transferred to Liabilities (see Note 13)	<u>-</u>	<u>-</u>
The municipality received funds from National Treasury that was paid towards the municipalities account with the Auditor General. The grant was utilised for this purpose. No funds have been withheld.		
<b>20.12 National: Department Public Works (DPW)</b>		
Balance unspent at beginning of year	379,814	-
Current year receipts	1,000,000	1,000,000
Conditions met - transferred to Revenue: Operating Expenses	(898,737)	(581,200)
Conditions met - transferred to Revenue: VAT Portion Realised	(16,855)	(38,986)
Conditions still to be met - transferred to Liabilities (see Note 13)	<u><b>464,222</b></u>	<u><b>379,814</b></u>
No funds have been withheld.		
<b>20.13 Changes in levels of Government Grants</b>		
Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2015), government grant funding is expected to increase over the forthcoming three financial years.		
<b>21 PUBLIC CONTRIBUTIONS AND DONATIONS</b>		
Other Donations	1,023,376	-
<b>Total Public Contributions and Donations</b>	<u><b>1,023,376</b></u>	<u><b>-</b></u>
The Municipality received a bakkie from Public Works to provide municipal services. Furthermore, the municipality received a sewerage truck and Caseware software from Assmang Khumani Iron Ore Mine. The Municipality also received R6 000 from 5 different contractors that was used for the Municipalities year-end function. The donations were utilised for this purpose. No funds have been withheld.		
<b>22 SERVICE CHARGES</b>		
Sale of Water	900,853	1,008,764
Refuse Removal	1,028,503	934,004
Sewerage and Sanitation Charges	750,762	555,795
<b>Total Service Charges</b>	<u><b>2,680,118</b></u>	<u><b>2,498,563</b></u>
The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.		
<b>23 RENTAL OF FACILITIES AND EQUIPMENT</b>		
Rental Revenue from Investment Property	624,622	521,712
Rental Revenue from Buildings	19,500	40,798
Rental Revenue from Halls	40,586	32,274
Rental Revenue from Land	236,883	147,092
Rental Revenue from Other Facilities	2,117	4,211
<b>Total Rental of Facilities and Equipment</b>	<u><b>923,708</b></u>	<u><b>746,087</b></u>
Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.		

**MIER LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>24 INTEREST EARNED</b>		
<b>External Investments:</b>		
Investments	463,329	450,562
<b>Total Interest Earned</b>	<b>463,329</b>	<b>450,562</b>
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
Available-for-Sale Financial Assets	463,329	450,562
	<b>463,329</b>	<b>450,562</b>
<b>25 OTHER REVENUE</b>		
!XAUS LODGE Revenue	-	63,333
Prints	609	360
Sundry Income	55,068	4,814
Telephone Cost Recovered	1,812	1,020
Tender Documents	17,248	15,544
Vat Own Income on Grants	2,530,742	1,386,541
<b>Total Other Revenue</b>	<b>2,605,480</b>	<b>1,471,611</b>
The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 19 to 24, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.		
<b>26 EMPLOYEE RELATED COSTS</b>		
Employee Related Costs - Salaries and Wages	7,649,712	5,935,473
Basic Salaries and Wages	7,110,571	5,550,502
Leave Encashed	8,650	3,240
Service Bonuses	530,492	381,732
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	1,227,954	1,067,583
Medical	151,800	132,000
Pension	927,654	780,543
Skills Development Levy	64,413	66,274
UIF	84,087	88,767
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	370,722	315,134
Allowances	370,722	315,134
Housing Benefits and Allowances	58,071	39,532
Defined Benefit Plan Expense:	58,142	41,694
Current Service Cost	31,420	51,844
Interest Cost	17,620	16,016
Net Actuarial (gains)/losses recognised	9,102	(26,166)
<b>Total Employee Related Costs</b>	<b>9,364,601</b>	<b>7,399,416</b>
No advances were made to employees.		
<b>Remuneration of Section 57 Employees:</b>		
<b>Remuneration of the Municipal Manager</b>		
Annual Remuneration	480,000	-
Company Contributions to UIF, Medical and Pension Funds	1,785	-
<b>Total</b>	<b>481,785</b>	<b>-</b>
The post was vacant in 2014 and being filled by Acting MM from Siyanda District Municipality		
<b>Remuneration of the Chief Financial Officer</b>		
Annual Remuneration	203,465	203,465
Annual Bonus	16,955	16,955
Car and Other Allowances	135,529	135,529
Company Contributions to UIF, Medical and Pension Funds	4,974	4,974
<b>Total</b>	<b>360,922</b>	<b>360,922</b>



**MIER LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>26 EMPLOYEE RELATED COSTS (Continued)</b>		
<i><b>Remuneration of the Manager: Corporate Manager</b></i>		
Annual Remuneration	203,465	203,465
Annual Bonus	16,955	16,955
Car and Other Allowances	135,529	135,529
Company Contributions to UIF, Medical and Pension Funds	4,974	4,974
<b>Total</b>	<b>360,922</b>	<b>360,922</b>
<i><b>Remuneration of the Manager: Technical Services</b></i>		
Annual Remuneration	203,465	203,465
Annual Bonus	16,955	16,955
Car and Other Allowances	82,729	135,529
Company Contributions to UIF, Medical and Pension Funds	4,974	4,974
<b>Total</b>	<b>308,122</b>	<b>360,922</b>
<i><b>Remuneration of the Manager: Strategic Manager</b></i>		
Annual Remuneration	169,554	203,465
Annual Bonus	16,955	16,955
Car and Other Allowances	112,941	135,529
Company Contributions to UIF, Medical and Pension Funds	4,173	4,974
<b>Total</b>	<b>303,623</b>	<b>360,922</b>
<i><b>Remuneration of the Manager: Community Services</b></i>		
Annual Remuneration	203,465	203,698
Annual Bonus	16,955	4,239
Car and Other Allowances	82,729	82,929
Company Contributions to UIF, Medical and Pension Funds	3,902	1,689
<b>Total</b>	<b>307,051</b>	<b>292,555</b>
<b>27 REMUNERATION OF COUNCILLORS</b>		
Mayor	487,435	417,188
Councillors	956,129	739,142
Other Allowances (Cellular Phones, Housing, Transport, etc)	420,023	459,653
<b>Total Councillors' Remuneration</b>	<b>1,863,586</b>	<b>1,615,984</b>
<b>Remuneration of Councillors:</b>		
<i><b>In-kind Benefits</b></i>		
The Councillors occupying the position of Mayor of the municipality serve in a full-time capacity. Each of these Councillors are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.		
<b>28 DEPRECIATION AND AMORTISATION</b>		
Depreciation: Property, Plant and Equipment	7,331,026	7,484,106
Amortisation: Intangible Assets	25,693	16,859
<b>Total Depreciation and Amortisation</b>	<b>7,356,720</b>	<b>7,500,965</b>

*Depreciation and Amortisation* have been restated to correctly disclose. Refer to Note 35.8 on "Correction of Error" for details of the restatement.

**MIER LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>29 IMPAIRMENT LOSSES</b>		
<i>29.1 Impairment Losses on Fixed Assets</i>		
<b>Impairment Losses Recognised:</b>	74,138	15,969
Property, Plant and Equipment	72,403	15,969
	<b>74,138</b>	<b>15,969</b>
<i>29.2 Impairment Losses on Financial Assets</i>		
<b>Impairment Losses Recognised:</b>	622,661	1,570,164
Receivables from Exchange Transactions	355,595	1,252,829
Receivables from Non-exchange Transactions	267,067	317,335
	<b>622,661</b>	<b>1,570,164</b>
<b>Total Impairment Losses</b>	<b>696,799</b>	<b>1,586,133</b>
<b>30 REPAIRS AND MAINTENANCE</b>		
Land and Buildings	1,041,620	616,934
Infrastructure - Road Transport	30,000	-
Infrastructure - Water	217,507	18,700
Other Assets	584,382	210,056
<b>Total Repairs and Maintenance</b>	<b>1,873,509</b>	<b>845,691</b>
<b>31 FINANCE COSTS</b>		
Finance Leases	2,171	4,843
Loans and Payables at amortised cost	66,712	63,074
<b>Total Interest Paid on External Borrowings</b>	<b>68,883</b>	<b>67,917</b>

**MIER LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	<b>2015</b>	<b>2014</b>
	<b>R</b>	<b>R</b>
<b>32 GENERAL EXPENSES</b>		
Included in General Expenses are the following:		
Advertising	43,218	21,519
Audit Fees	838,423	999,188
Bank Charges	59,592	41,199
Chemicals & Poison	16,250	24,328
Cleaning Material	37,450	23,427
Electricity	719,465	250,691
Entertainment	42,114	14,853
Expenditure Incurred From Epwp Grant	2,116,595	4,762,077
Expenditure Incurred From Msig	1,122,956	1,100,065
Fuel And Oil	393,027	376,285
General Expenses	2,002,208	921,895
Indigent Support	851,021	915,653
Insurance	205,190	152,672
Landfill Site Costs	681,547	(4,013,112)
Library Costs	17,792	17,254
Licenses	68,463	19,595
Low Cost Housing Support	8,575	817,270
Membership Fees	531,397	516,366
Postage & Telegrams	2,579	1,677
Printing And Stationary	54,869	81,966
System Support	199,151	568,996
Telephone Cost	64,467	62,849
Training	96,514	17,579
Travelling And Subsistence	1,850,305	1,115,911
Uniforms & Protective Clothing	17,551	10,487
<b>Total General Expenses</b>	<b><u>12,040,722</u></b>	<b><u>8,820,690</u></b>
The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense.		
No other extra-ordinary expenses were incurred.		
<b>33 OTHER GAINS AND LOSSES</b>		
Change in Fair Value of Investment Property	775,057	-
<b>Net Other Gains and Losses</b>	<b><u>775,057</u></b>	<b><u>-</u></b>

**MIER LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>34 GAINS / LOSSES ON DISPOSAL OF CAPITAL ASSETS</b>		
Losses on Sale of Assets	91,894	92,150
<b>Total Gains / Losses on Disposal of Capital Assets</b>	<b>91,894</b>	<b>92,150</b>

**35 CORRECTION OF ERROR**

Corrections were made during the previous financial years. Details of the corrections are described below:

**Details of the appropriations are as follows:**

**Statement of Financial Position:**

Trade Receivables from Exchange Transactions	267,452	267,452
Trade Receivables from Non-Exchange Transactions	140,511	140,511
VAT Payable	(33,576)	(33,576)
Property, Plant and Equipment	25,285,090	25,285,090
Investment Property	(961,920)	(961,920)
Creditors	1,149,772	1,149,772
Unspent Conditional Grants and Receipts	(698,879)	(698,879)
Non-current Provisions	(639,132)	(639,132)
Accumulated Surplus / (Deficit) - Prior Year Adjustments	(25,805,181)	(25,805,181)
Accumulated Surplus / (Deficit) - (Surplus) / Deficit for the Year	1,295,863	1,295,863
	<b>-</b>	<b>-</b>

**Statement of Financial Performance:**

Government Grants and Subsidies Received	613,052
Rental of Facilities and Equipment	(15,959)
Other Income	85,827
Depreciation and Amortisation	126,612
Impairment Losses	(105,285)
General Expenses	591,616
	<b>1,295,863</b>

**35.1 Reclassification of Statement of Financial Performance:**

No prior year figures of Revenue Classes have been restated to correctly classify the nature of Revenue of the municipality.

**35.2 Reclassification of Statement of Financial Performance:**

Details of the appropriations are as follows:	<b>2014/2015</b>	<b>2013/2014</b>	<b>Restated Amount</b>
Contracted Services	-	1,100,065	(1,100,065)
General Expenses	8,229,074	7,129,009	1,100,065
	<b>8,229,074</b>	<b>8,229,074</b>	<b>-</b>

**MIER LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>35 CORRECTION OF ERROR (Continued)</b>		
<b><u>35.3 Misstatement of Non-Current Provisions</u></b>		
The Rehabilitation Liability on the Landfill sites were corrected in the current financial year, due to new and updated information.		
<b>The effect of the Correction of Error is as follows:</b>		
<b>Statement of Financial Position:</b>		
(Increase) / decrease in Accumulated Surplus	639,132	-
(Increase) / decrease in Non-current Provisions	(639,132)	(639,132)
<b>Statement of Financial Performance:</b>		
Increase / (decrease) in General Expenses		639,132
	<u>-</u>	<u>-</u>
<b><u>35.4 Misstatement of Trade Receivables from Non-Exchange Transactions</u></b>		
The amount provided for as a Pre-Paid expense in 2014 was not correct as the supplier submitted the in correct invoice.		
<b>The effect of the Correction of Error is as follows:</b>		
<b>Statement of Financial Position:</b>		
(Increase) / decrease in Accumulated Surplus	(47,516)	-
(Increase) / decrease in Trade Receivables from Non-Exchange Transactions	47,516	47,516
<b>Statement of Financial Performance:</b>		
Increase / (decrease) in General Expenses	-	(47,516)
	<u>-</u>	<u>-</u>
<b><u>35.5 Misstatement of Unspent Conditional Grants and Receipts</u></b>		
During the 2015 financial year, the MIG office disallowed expenses claim on capital projects, thus correction to the closing balance was done.		
<b>The effect of the Correction of Error is as follows:</b>		
<b>Statement of Financial Position:</b>		
(Increase) / decrease in Accumulated Surplus	698,879	-
(Increase) / decrease in Unspent Conditional Grants and Receipts	(698,879)	(698,879)
<b>Statement of Financial Performance:</b>		
(Increase) / decrease in Government Grants and Subsidies Received	-	613,052
(Increase) / decrease in Other Income	-	85,827
	<u>-</u>	<u>-</u>

**MIER LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

2015 R	2014 R
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**35.6 Misstatement of Trade Receivables from Non-Exchange Transactions**

During the 2015 financial year, management discovered that consumer debtors had incorrect credit balances due to incorrect subsidy allocated to the accounts in 2009.

**The effect of the Correction of Error is as follows:**

**Statement of Financial Position:**

(Increase) / decrease in Accumulated Surplus	(87,045)	(87,045)
Increase / (decrease) in Trade Receivables from Non-Exchange Transactions	87,045	87,045
	-	-

**35.7 Misstatement of Trade Receivables from Exchange Transactions and Rental of Facilities**

During the 2015 financial year, management corrected all the rental amounts levied of all contracts, this was corrected retrospectively

**The effect of the Correction of Error is as follows:**

**Statement of Financial Position:**

(Increase) / decrease in Accumulated Surplus	(134,542)	(118,583)
(Increase) / decrease in VAT Payable	(18,836)	(18,836)
Increase / (decrease) in Trade Receivables from Exchange Transactions	153,378	153,378

**Statement of Financial Performance:**

(Increase) / decrease in Rental of Facilities and Equipment	-	(15,959)
	-	-

**35.8 Misstatement of Property, Plant and Equipment and Depreciation and Amortisation**

During the 2015 financial year, management performed a full asset verification of all the asset classes. It was found that the opening balance was not correct. Furthermore management discovered that depreciation was incorrectly calculated on Buildings. The correction was done retrospectively.

**The effect of the Correction of Error is as follows:**

**Statement of Financial Position:**

(Increase) / decrease in Accumulated Surplus	(24,323,170)	(24,449,782)
Increase / (decrease) in Investment Property	(961,920)	(961,920)
Increase / (decrease) in Property, Plant and Equipment	25,285,090	25,285,090

**Statement of Financial Performance:**

(Increase) / decrease in Depreciation and Amortisation	-	126,612
	-	-

**MIER LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

<b>2015</b>	<b>2014</b>
<b>R</b>	<b>R</b>

**35.9 Misstatement of Trade Receivables from Exchange Transactions, Trade**

Management performed a recalculation on the Impairment of bad debt to comply with GRAP 104.

**The effect of the Correction of Error is as follows:**

**Statement of Financial Position:**

(Increase) / decrease in Accumulated Surplus	(105,285)	-
(Increase) / decrease in VAT Payable	(14,740)	(14,740)
Increase / (decrease) in Trade Receivables from Non-Exchange Transactions	5,951	5,951
Increase / (decrease) in Trade Receivables from Exchange Transactions	114,074	114,074

**Statement of Financial Performance:**

(Increase) / decrease in Impairment Losses	-	(105,285)
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**35.10 Misstatement of Creditors**

Council approved the write off amount of 3rd party payments from 2013 and back as no proof exists that the municipality owe these amounts.

**The effect of the Correction of Error is as follows:**

**Statement of Financial Position:**

(Increase) / decrease in Accumulated Surplus	(1,149,772)	(1,149,772)
(Increase) / decrease in Creditors	1,149,772	1,149,772

-	-	-
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**MIER LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>36 CHANGE IN ACCOUNTING ESTIMATES</b>		
<b>36.1 Depreciation Expenditure:</b>		
The residual values, estimated useful lives and depreciation method were reviewed at 30 June 2015. Adjustments to the residual values and useful lives affect the amount of depreciation for the current year and is expected to affect future periods as well. The adjustments are as follows:		
Increase / (Decrease) in Depreciation due to adjustments to Useful Lives of PPE	(398,996)	-
<b>Increase / (Decrease) in Depreciation of PPE</b>	<b>(398,996)</b>	<b>-</b>
Depreciation as previously stated	7,755,716	-
Adjustment due to Change in Accounting Estimate	(398,996)	-
<b>Depreciation as per Note 28</b>	<b>7,356,720</b>	<b>-</b>
<b>37 CASH GENERATED BY OPERATIONS</b>		
Surplus / (Deficit) for the Year	6,914,930	7,258,610
Adjustment for:		
Depreciation and Amortisation	7,356,720	7,500,965
Losses / (Gains) on Disposal of Property, Plant and Equipment	91,894	92,150
Fair Value Adjustment on Investment Property	775,057	-
Impairment Losses	622,662	1,586,133
<b>Operating surplus before working capital changes</b>	<b>15,761,263</b>	<b>16,437,858</b>
Decrease/(Increase) in Inventories	273,737	17,305
Decrease/(Increase) in Receivables from Exchange Transactions	(1,389,971)	295,589
Decrease/(Increase) in Receivables from Non-exchange Transactions	1,744,279	75,190
Decrease/(Increase) in VAT Receivable	(1,322,962)	1,558,781
Increase/(Decrease) in Payables from Exchange Transactions	1,095,391	(731,094)
Increase/(Decrease) in Payables from Non-exchange Transactions	222,694	11,459
Increase/(Decrease) in Provisions	739,689	(3,971,418)
Increase/(Decrease) in Conditional Grants and Receipts	(7,829,262)	(1,778,608)
Increase/(Decrease) in Operating Lease Liabilities	(44,145)	(53,713)
<b>Cash generated by / (utilised in) Operations</b>	<b>9,250,713</b>	<b>11,861,349</b>

**38 NON-CASH INVESTING AND FINANCING TRANSACTIONS**

The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2014/15 financial year.

**39 FINANCING FACILITIES**

The municipality did not have any Financing Facilities available at any time during the two financial years.



**MIER LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>40 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>		
Long-term Liabilities (See Note 15)	934,519	1,035,763
Used to finance Property, Plant and Equipment - at cost	(934,519)	(1,035,763)
Sub-total	-	-
Cash set aside for the Repayment of Long-term Liabilities (See Notes 6)	-	-
<b>Cash invested for Repayment of Long-term Liabilities</b>	<b>-</b>	<b>-</b>

Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash is available to ensure that Long-term Liabilities can be repaid on the scheduled redemption dates.

**41 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**

**41.1 Unauthorised Expenditure**

Reconciliation of Unauthorised Expenditure:

Opening balance	50,751,233	41,363,334
Unauthorised Expenditure current year	8,269,459	9,387,900
Unauthorised Expenditure awaiting authorisation	<b>59,020,692</b>	<b>50,751,233</b>

Incident	Disciplinary Steps / Criminal Proceedings
<i>Budgeted votes exceeded:-</i>	<i>To be condoned by Council</i>
- Executive and Council - R342,013 (2014: R0)	
- Budget and Treasury Office - R1,740,927 (2014: R3,085,224)	
- Corporate Services - R0 (2014: R343,178)	
- Waste Management - R3,818,395 (2014: R2,398,648)	
- Waste Water Management - R835,582 (2014: R1,775,657)	
- Water - R1,532,540 (2014: R1,719,473)	
General salary increase higher as the authorised percent- R0 (2014: R65,719)	

**41.2 Fruitless and Wasteful Expenditure**

To management's best of knowledge instances of note indicating that Fruitless and Wasteful Expenditure was incurred during the year under review were not revealed.

Reconciliation of Fruitless and Wasteful expenditure:

Opening balance	1,061,280	651,343
Fruitless and Wasteful Expenditure current year	386,504	409,937
Fruitless and Wasteful Expenditure awaiting condonement	<b>1,447,784</b>	<b>1,061,280</b>

Incident	Disciplinary Steps / Criminal Proceedings
Goods paid for, not received - R0 (2014: R72,632)	None
Interest on late payment - Various Creditors - R386,504 (2014: R337,30)	None

**41.3 Irregular Expenditure**

Reconciliation of Irregular Expenditure:

Opening balance	26,908,898	24,920,236
Irregular Expenditure current year	19,962,559	1,988,662
Irregular Expenditure awaiting condonement	<b>46,871,458</b>	<b>26,908,898</b>

Incident	Disciplinary Steps / Criminal Proceedings
Expenditure contrary to SCM Procedures - R19,962,559 (2014: R19,962,559)	Under Investigation. To be submitted to Council for condonement.

The municipality did not have adequate time during the audit to quantify the full extent of irregular expenditure that was noted during the audit process

**42 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**

**42.1 Contributions to organised local government - SALGA**

Opening Balance	1,450,000	950,000
Council Subscriptions	510,000	500,000
Amount Paid - previous years	(50,000)	-
<b>Balance Unpaid (included in Creditors)</b>	<b>1,910,000</b>	<b>1,450,000</b>

**MIER LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R	
<b>42 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)</b>			
<b>42.2 Audit Fees</b>			
Opening Balance	3,291,885	3,673,065	
Council Subscriptions - Oudit Fees	1,816,215	999,188	
Council Subscriptions - VAT	223,044	139,886	
Council Subscriptions - Interest	239,391	183,108	
Credit Notes Issued	(863,771)	-	
Amount Paid - previous years	(99,934)	-	
Amount Paid - National Treasury - previous years	(381,756)	(1,703,363)	
<b>Balance Unpaid (included in Creditors)</b>	<b>4,225,075</b>	<b>3,291,885</b>	
The balance unpaid represents the audit fee for the annual audit done by the Auditor General for the past four years.			
<b>42.3 VAT</b>			
The net of VAT input payables and VAT output receivables are shown in Note 5. All VAT returns have been submitted by the due date throughout the year.			
<b>42.4 PAYE, Skills Development Levy and UIF</b>			
Opening Balance	68,438	1,446,789	
Current year Payroll Deductions	1,212,286	855,797	
Amount Paid - current year	(1,039,209)	(787,359)	
Amount Paid - previous years	(68,438)	(1,446,789)	
<b>Balance Unpaid (included in Creditors)</b>	<b>173,077</b>	<b>68,438</b>	
The balance represents PAYE, SDL and UIF deducted from the June 2015 (June 2014) payroll. These amounts were paid during July 2015 (July 2014).			
<b>42.5 Pension and Medical Aid Deductions</b>			
Opening Balance	81,913	109,870	
Current year Payroll Deductions and Council Contributions	1,244,594	982,485	
Amount Paid - current year	(1,134,564)	(900,572)	
Amount Paid - previous years	(81,913)	(109,870)	
<b>Balance Unpaid (included in Creditors)</b>	<b>110,030</b>	<b>81,913</b>	
The balance represents Pension and Medical Aid contributions deducted from employees and councillors, as well as the municipality's contributions to these funds.			
<b>42.6 Councillor's arrear Consumer Accounts</b>			
During the financial year under review no Councillor (present or past) was in arrear with the settlement of their municipal accounts.			
The following Councillors had arrear accounts outstanding for more than 90 days as at:			
<b>30 June 2015</b>	<b>Total</b>	<b>Outstanding up to 90 days</b>	<b>Outstanding more than 90 days</b>
Councillor Eiman M	(574)	(574)	-
Councillor Masikani S	(2,612)	(2,612)	-
Councillor Farao P	(2,689)	(2,689)	-
Councillor A Titus	(3,071)	(3,071)	-
Councillor M Joseph	(5,309)	(5,309)	-
<b>Total Councillor Arrear Consumer Accounts</b>	<b>(14,255)</b>	<b>(14,255)</b>	<b>-</b>
<b>30 June 2014</b>	<b>Total</b>	<b>Outstanding up to 90 days</b>	<b>Outstanding more than 90 days</b>
Councillor Eiman M	1,627	693	935
Councillor Masikani S	246	246	-
Councillor Farao P	208	208	-
Councillor Smith J	4,771	766	4,005
<b>Total Councillor Arrear Consumer Accounts</b>	<b>6,852</b>	<b>1,912</b>	<b>4,940</b>

**MIER LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>42 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)</b>		
During the year the following Councillors had arrear accounts outstanding for more than 90 days:		
<b>30 June 2015</b>	<b>Highest amount outstanding</b>	<b>Ageing</b>
Councillor Eiman M	-	< 90 Days
Councillor Masikani S	-	< 90 Days
Councillor Farao P	-	< 90 Days
Councillor A Titus	-	< 90 Days
Councillor M Joseph	-	< 90 Days
<b>30 June 2014</b>	<b>Highest amount outstanding</b>	<b>Ageing</b>
Councillor Eiman M	2,999	> 90 Days
Councillor Masikani S	438	< 90 Days
Councillor Farao P	623	< 90 Days
Councillor Smith J	5,118	> 90 Days

Councillors and/or management of the municipality have relationships with businesses as indicated below:

**42.7 Bulk Water Losses in terms of Section 125 (2)(d)(i) of the MFMA**

It was not possible to determine the Distributions Losses as insufficient information is available to management.

**43 COMMITMENTS FOR EXPENDITURE**

**43.1 Capital Commitments**

Commitments in respect of Capital Expenditure:

<b>- Approved and Contracted for:-</b>	<b>6,408,192</b>	<b>11,121,234</b>
Infrastructure	5,326,903	9,973,019
Other	1,081,289	1,148,215
<b>- Approved but Not Yet Contracted for:-</b>	<b>458,713</b>	<b>-</b>
Infrastructure	458,713	-
<b>Total Capital Commitments</b>	<b>6,866,906</b>	<b>11,121,234</b>
This expenditure will be financed from:		
Government Grants	6,866,906	11,121,234
	<b>6,866,906</b>	<b>11,121,234</b>

**43.2 Lease Commitments**

Finance Lease Liabilities and Non-cancellable Operating Lease Commitments are disclosed in Notes 14 and 15.

**44 FINANCIAL INSTRUMENTS**

**44.1 Classification**

**FINANCIAL ASSETS:**

In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:

<u>Financial Assets</u>	<u>Classification</u>		
<b>Non-current Investments</b>			
<b>Receivables from Exchange Transactions</b>			
Refuse	Amortised cost	567,223	142,674
Sewerage	Amortised cost	515,241	(25,561)
Water	Amortised cost	622,233	315,785
Other Receivables	Amortised cost	325,290	207,120
<b>Receivables from Non-exchange Transactions</b>			
Assessment Rates Debtors	Amortised cost	2,973,941	2,251,718
Payments made in Advance	Amortised cost	-	62,333
Sundry Debtors	Amortised cost	372,717	2,776,886

**MIER LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

		2015 R	2014 R
<b>44 FINANCIAL INSTRUMENTS (Continued)</b>			
<b>Cash and Cash Equivalents</b>			
Notice Deposits	Amortised cost	976,952	7,299,273
Bank Balances	Amortised cost	43,223	221,246
<b>Current Portion of Long-term Receivables</b>			
		6,396,822	13,251,472
<b>SUMMARY OF FINANCIAL ASSETS</b>			
<b>Financial Assets at Amortised Cost:</b>			
Receivables from Exchange Transactions	Refuse	567,223	142,674
Receivables from Exchange Transactions	Sewerage	515,241	(25,561)
Receivables from Exchange Transactions	Water	622,233	315,785
Receivables from Exchange Transactions	Other Debtors	325,290	207,120
Receivables from Non-exchange Transactions	Assessment Rates Debtors	2,973,941	2,251,718
Receivables from Non-exchange Transactions	Payments made in Advance	-	62,333
Receivables from Non-exchange Transactions	Sundry Debtors	372,717	2,776,886
Cash and Cash Equivalents	Notice Deposits	976,952	7,299,273
Cash and Cash Equivalents	Bank Balances	43,223	221,246
		<u>6,396,822</u>	<u>13,251,472</u>
<b>Total Financial Assets</b>		<u><b>6,396,822</b></u>	<u><b>13,251,472</b></u>
<b>FINANCIAL LIABILITIES:</b>			
In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:			
	<b><u>Financial Liabilities</u></b>	<b><u>Classification</u></b>	
<b>Long-term Liabilities</b>			
Annuity Loans	Amortised cost	-	-
Finance Lease Liabilities	Amortised cost	-	14,164
<b>Payables from Exchange Transactions</b>			
Trade Creditors	Amortised cost	8,479,793	7,423,578
Retentions	Amortised cost	686,465	615,824
Other Creditors	Amortised cost	434,599	466,063
<b>Payables from Non-exchange Transactions</b>			
Staff Bonuses	Amortised cost	183,649	120,067
Staff Leave	Amortised cost	249,690	213,568
Sundry Deposits	Amortised cost	187,308	64,317
<b>SUMMARY OF FINANCIAL LIABILITIES</b>			
<b>Financial Liabilities at Amortised Cost:</b>			
Long-term Liabilities	Annuity Loans	-	-
Long-term Liabilities	Finance Lease Liabilities	-	14,164
Payables from Exchange Transactions	Trade Creditors	8,479,793	7,423,578
Payables from Exchange Transactions	Retentions	686,465	615,824
Payables from Exchange Transactions	Other Creditors	434,599	466,063
Payables from Non-exchange Transactions	Staff Bonuses	183,649	120,067
Payables from Non-exchange Transactions	Staff Leave	249,690	213,568
Payables from Non-exchange Transactions	Sundry Deposits	187,308	64,317
Current Portion of Long-term Liabilities	Annuity Loans	915,001	998,288
Current Portion of Long-term Liabilities	Finance Lease Liabilities	19,519	23,311
		<u>11,156,022</u>	<u>9,939,180</u>
<b>Total Financial Liabilities</b>		<u><b>11,156,022</b></u>	<u><b>9,939,180</b></u>

**MIER LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
**R**

**2014**  
**R**

**44 FINANCIAL INSTRUMENTS (Continued)**

**44.2 Fair Value**

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

**Cash**

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

**Long-term Investments**

The Fair Value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted Equity Investments are estimated using the discounted cash flow method.

**Loan Receivables/Payables**

Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

**Trade and Other Receivables/Payables**

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's debtors.

**Other Financial Assets and Liabilities**

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

**Long-term Liabilities**

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2015, as a result of the short-term maturity of these assets and liabilities.

The Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

	<b>30 June 2015</b>		<b>30 June 2014</b>	
	<b>Carrying Amount R</b>	<b>Fair Value R</b>	<b>Carrying Amount R</b>	<b>Fair Value R</b>
<b>FINANCIAL ASSETS</b>				
<b>Measured at Amortised Cost:</b>	6,396,822	6,396,822	13,251,472	13,251,472
Notice Deposits	976,952	976,952	7,299,273	7,299,273
Bank Balances	43,223	43,223	221,246	221,246
Trade Receivables from Exchange Transactions	2,029,988	2,029,988	640,017	640,017
Trade Receivables from Non-exchange Transactions	3,346,658	3,346,658	5,090,937	5,090,937
<b>Total Financial Assets</b>	<b>6,396,822</b>	<b>6,396,822</b>	<b>13,251,472</b>	<b>13,251,472</b>
<b>FINANCIAL LIABILITIES</b>				
<b>Measured at Amortised Cost:</b>	11,156,022	11,156,022	9,939,180	9,939,180
Annuity Loans	-	-	-	-
Finance Lease Liabilities	-	-	14,164	14,164
Trade and Other Payables:				
- Payables from Exchange Transactions	9,600,856	9,600,856	8,505,465	8,505,465
- Payables from Non-exchange Transactions	620,647	620,647	397,953	397,953
- Current Portion of Long-term Liabilities	934,519	934,519	1,021,599	1,021,599
<b>Total Financial Liabilities</b>	<b>11,156,022</b>	<b>11,156,022</b>	<b>9,939,180</b>	<b>9,939,180</b>
<b>Total Financial Instruments</b>	<b>(4,759,200)</b>	<b>(4,759,200)</b>	<b>3,312,292</b>	<b>3,312,292</b>
<b>Unrecognised Gain / (Loss)</b>		<b>-</b>		<b>-</b>

No Financial Instruments of the municipality have been reclassified during the year.

**MIER LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
**R**                      **2014**  
**R**

**44 FINANCIAL INSTRUMENTS (Continued)**

**Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities**

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

**44 FINANCIAL INSTRUMENTS (Continued)**  
**30 June 2015**

	Level 1 R	Level 2 R	Level 3 R	Total R
<b>FINANCIAL ASSETS</b>				
<b>Financial Instruments at Fair Value:</b>				
Cash and Cash Equivalents	-	43,223	-	43,223
<b>Total Financial Assets</b>	<u>-</u>	<u>43,223</u>	<u>-</u>	<u>43,223</u>
<b>FINANCIAL LIABILITIES</b>				
<b>Financial Instruments at Fair Value:</b>				
<b>Total Financial Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Financial Instruments</b>	<u>-</u>	<u>43,223</u>	<u>-</u>	<u>43,223</u>

**30 June 2014**

	Level 1 R	Level 2 R	Level 3 R	Total R
<b>FINANCIAL ASSETS</b>				
<b>Financial Instruments at Fair Value:</b>				
Cash and Cash Equivalents	-	221,246	-	221,246
<b>Total Financial Assets</b>	<u>-</u>	<u>221,246</u>	<u>-</u>	<u>221,246</u>
<b>FINANCIAL LIABILITIES</b>				
<b>Financial Instruments at Fair Value:</b>				
<b>Total Financial Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Financial Instruments</b>	<u>-</u>	<u>221,246</u>	<u>-</u>	<u>221,246</u>

**44.3 Capital Risk Management**

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2010.

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 18 and the Statement of Changes in Net Assets.

**MIER LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>44 FINANCIAL INSTRUMENTS (Continued)</b>		
<b><u>Gearing Ratio</u></b>		
The gearing ratio at the year-end was as follows:		
Debt	934,519	1,035,763
Cash and Cash Equivalents	(1,020,176)	(7,520,519)
Net Debt	<u>(85,657)</u>	<u>(6,484,756)</u>
Equity	<u>240,006,598</u>	<u>233,091,668</u>
<b>Net debt to equity ratio</b>	<u><b>-0.04%</b></u>	<u><b>-2.78%</b></u>

Debt is defined as Long-term Liabilities, together with its Short-term Portion.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

**44.4 Financial Risk Management Objectives**

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

**44.5 Significant Risks**

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

**Market Risk**

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

**Credit Risk**

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

**Liquidity Risk**

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

**MIER LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015	2014
	R	R

**44 FINANCIAL INSTRUMENTS (Continued)**

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Notes 44.8 and 44.9 to the Annual Financial Statements.

**44.6 Market Risk**

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 44.7 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

**44.6.1 Foreign Currency Risk Management**

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

**44.6.2 Interest Rate Risk Management**

*Interest Rate Risk* is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is exposed to interest rate risk as the municipality borrows funds at both fixed and floating interest rates. The risk is managed by the municipality by maintaining an appropriate mix between fixed and floating rate borrowings, such borrowing being below market related rates.

The municipality is not exposed to interest rate risk as the municipality borrows funds at fixed interest rates.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

**Interest Rate Sensitivity Analysis**

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates.

The short and long-term financial instruments at year-end with variable interest rates are set out in Note 44.9 below.

***Cash and Cash Equivalents:***

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:

- Surplus for the year ended 30 June 2015 would have increased / decreased by R1,322 (30 June 2014: R25,668). This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

**44.7 Credit Risk Management**

*Credit Risk* refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

**Investments/Bank, Cash and Cash Equivalents**

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.



**MIER LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>44 FINANCIAL INSTRUMENTS (Continued)</b>		
<b><u>Trade and Other Receivables</u></b>		
Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates and waste services rendered to them.		
The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:		
<ul style="list-style-type: none"> <li>• The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;</li> <li>• A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;</li> <li>• The consolidation of rates and service accounts, enabling recovery for the non-payment of any of the individual debts, in terms of section 102 of the MSA;</li> </ul>		
There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.		
The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.		
Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.		
Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.		
The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.		
The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:		
Receivables from Exchange Transactions	18,212,286	16,416,936
Receivables from Non-exchange Transactions	6,471,472	7,911,295
Bank, Cash and Cash Equivalents	1,020,176	7,520,519
<b>Maximum Credit and Interest Risk Exposure</b>	<b>25,703,934</b>	<b>31,848,750</b>
The major concentrations of credit risk that arise from the municipality's receivables in relation to customer classification are as follows:		
	%	%
Consumer Debtors:		
- Household	77.95%	63.99%
- Industrial / Commercial	7.75%	17.83%
- National and Provincial Government	12.40%	6.51%
- Other Classes	0.00%	0.00%
Other Debtors:		
- Other not Classified	1.91%	11.67%
<b>Total Credit Risk</b>	<b>100.00%</b>	<b>100.00%</b>
<b>Bank and Cash Balances</b>		
Standard Bank	1,020,176	7,520,519
<b>Total Bank and Cash Balances</b>	<b>1,020,176</b>	<b>7,520,519</b>
<b>Receivables from Non-exchange Transactions</b>		
Group 1	253,101	2,741,642
<b>Total Receivables from Non-exchange Transactions</b>	<b>253,101</b>	<b>2,741,642</b>
<b>Credit quality Groupings:</b>		
Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.		
Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.		
Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.		
None of the financial assets that are fully performing have been renegotiated in the last year.		

**MIER LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**44 FINANCIAL INSTRUMENTS (Continued)**

**44.8 Liquidity Risk Management**

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 45 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

**Liquidity and Interest Risk Tables**

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
<b>30 June 2015</b>								
Non-interest Bearing		0.00%	10,221,502	10,221,502	-	-	-	-
- Payables from Exchange transactions			9,600,856	9,600,856	-	-	-	-
- Payables from Non-exchange transactions			620,647	620,647	-	-	-	-
Fixed Interest Rate Instruments		5.00%	934,519	934,519	-	-	-	-
- DBSA		5.00%	934,519	934,519	-	-	-	-
- Short-term Loans			-	-	-	-	-	-
			<b>11,156,022</b>	<b>11,156,022</b>	-	-	-	-
<b>30 June 2014</b>								
Non-interest Bearing		0.00%	8,903,418	8,903,418	-	-	-	-
- Payables from Exchange transactions			8,505,465	8,505,465	-	-	-	-
- Payables from Exchange transactions			397,953	397,953	-	-	-	-
Fixed Interest Rate Instruments		5.00%	1,035,763	1,035,763	-	-	-	-
- DBSA		5.00%	1,021,599	1,021,599	-	-	-	-
- Short-term Loans			14,164	14,164	-	-	-	-
			<b>9,939,180</b>	<b>9,939,180</b>	-	-	-	-

**MIER LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**44 FINANCIAL INSTRUMENTS (Continued)**

At the year-end it was not probable that the counterparty to the financial guarantee contract will claim under the contract. Consequently, the amount included above is nil.

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the municipality anticipates that the cash flow will occur in a different period.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
<b>30 June 2015</b>								
Non-interest Bearing		0.00%	5,376,646	5,376,646	-	-	-	-
- Trade Receivables from Exchange Transactions			2,029,988	2,029,988	-	-	-	-
- Trade Receivables from Non-exchange Transactions			3,346,658	3,346,658	-	-	-	-
Variable Interest Rate Instruments		350.38%	43,223	43,223	-	-	-	-
- Bank Account			43,223	43,223	-	-	-	-
Fixed Interest Rate Instruments		0.00%	976,952	976,952	-	-	-	-
- Notice Deposits			976,952	976,952	-	-	-	-
			<b>6,396,822</b>	<b>6,396,822</b>	-	-	-	-
<b>30 June 2014</b>								
Non-interest Bearing		0.00%	5,730,954	5,730,954	-	-	-	-
- Trade Receivables from Exchange Transactions			640,017	640,017	-	-	-	-
- Trade Receivables from Non-exchange Transactions			5,090,937	5,090,937	-	-	-	-
Variable Interest Rate Instruments		17.55%	221,246	221,246	-	-	-	-
- Bank Account			221,246	221,246	-	-	-	-
Fixed Interest Rate Instruments		0.00%	7,299,273	7,299,273	-	-	-	-
- Notice Deposits			7,299,273	7,299,273	-	-	-	-
			-	-	-	-	-	-
			<b>13,251,472</b>	<b>13,251,472</b>	-	-	-	-

The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain current debt to equity ratio. This will be achieved through increased service tariff charges and the increased use of unsecured bank loan facilities.

The following table details the municipality's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows/(outflows) on the derivative instrument that settle on a net basis and the undiscounted gross inflows and (outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

**44.9 Effective Interest Rates and Repricing Analysis**

In accordance with IAS 32.67(a) and (b) the following tables indicate the average effective interest rates of Income-earning Financial Assets and Interest-bearing Financial Liabilities at the reporting date and the periods in which they mature or, if earlier, reprice:

**30 June 2015**

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
Short-term Investment Deposits	7		976,952	57,013,543	-	-	-	-
Bank Balances and Cash	7		43,223	359,722	-	-	-	-
<b>Total Fixed Rate Instruments</b>			<b>1,020,176</b>	<b>57,373,265</b>	-	-	-	-

**MIER LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**44 FINANCIAL INSTRUMENTS (Continued)**

**30 June 2014**

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
<b>VARIABLE RATE INSTRUMENTS</b>								
Short-term Investment Deposits	7		7,299,273	42,565,733	-	-	-	-
Bank Balances and Cash	7		221,246	838,904	-	-	-	-
<b>Total Fixed Rate Instruments</b>			<b>7,520,519</b>	<b>43,404,637</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**44.10 Other Price Risks**

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

**MIER LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

<b>2015</b>	<b>2014</b>
<b>R</b>	<b>R</b>

**45 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION**

The municipality makes provision for post-retirement benefits to eligible employees, who belong to different pension schemes.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R927,654 (2014: R780,543) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

**DEFINED BENEFIT SCHEMES**

**Retirement Fund:**

The scheme is subject to a tri-annual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2012 by Arthur Els & Associates.

The interim actuarial valuation performed as at 31 March 2012 revealed that the fund had a shortfall of R251,2 (31 March 2011: shortfall of R382,3) million, with a funding level of 90,6% (31 March 2011: 84,1%). The contribution rate, including the surcharges below, paid by the members (8,65%) and municipalities (29,00%) was expected to eradicate the shortfall in the fund by 31 March 2015. However, the basic contribution payable is 4,72% less than the required contribution rate.

The actuarial shortfall is taken into account by determining surcharges, to be met by increased contributions. These surcharges amount to 17,50% of pensionable emoluments, of which 1,65% is payable by members and 15,85% is payable by the local authority.

This surcharge is payable until 31 March 2015. It is necessary that the basic employer contribution be increased by 4,72% to 18,37% and the surcharge be increased to 17,5% and extended by a further 3 years to 31 March 2018. This position will be monitored on an annual basis. Subsequently, notice has been served that the surcharge will be increased to 34,22% with effect from 1 July 2012 for a period of 8 years.

The fund has effectively been closed to new members, and it is therefore assumed for the valuation, that no new members will join the fund. However, at present, members of the three Natal Joint Funds are permitted to transfer between the funds and this flow of members may affect the rate of contribution required to be paid to the Fund. It is intended that the Fund merge with the Superannuation Fund in the near future.

**Superannuation Fund:**

The scheme is subject to a tri-annual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2012 by Arthur Els & Associates.

The interim actuarial valuation performed as at 31 March 2012 revealed that the fund had a shortfall of R270,0 (31 March 2011: shortfall of R549,5) million, with a funding level of 96,0% (31 March 2011: 90,9%). The contribution rate paid by the members (9,25%) and municipalities (18,00%) is 3,63% (31 March 2011: 3,63%) less than the required contribution rate for future service and will be reviewed at the next interim valuation. The deficit in respect of active members is being met by a surcharge of 9,5% (31 March 2011: 7,0%) of pensionable salaries. It was expected that the deficit will be fully funded by 2016.

This surcharge is payable until 31 March 2015. It is necessary that the basic employer contribution be increased by 4,72% to 18,37% and the surcharge be increased to 17,5% and extended by a further 3 years to 31 March 2018. This position will be monitored on an annual basis. Subsequently, notice has been served that the total rate of contribution from the employer will be increased to 31,13% (18,00% + 3,63% increase in basic rate + 9,50% surcharge) with effect from 1 July 2012 for a period of 8 years.

**MIER LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
**R**

**2014**  
**R**

**45 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION (Continued)**

The fund has effectively been closed to new members, and it is therefore assumed for the valuation, that no new members will join the fund. However, at present, members of the three Natal Joint Funds are permitted to transfer between the funds and this flow of members may affect the rate of contribution required to be paid to the Fund. It is intended that the Fund merge with the Retirement Fund in the near future.

**DEFINED CONTRIBUTION SCHEMES**

**Provident Fund:**

The scheme is subject to a tri-annual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2012 by Arthur Els & Associates.

The interim actuarial valuation performed as at 31 March 2012 revealed that the market value of the fund was R1 288,3 (31 March 2011: R1 056,2) million. The contribution rate payable (either 5,00%, 7,00% or 9,25% by the member and 6,00%, 9,90% or 14,25% plus an additional 3,75% by the employer), is sufficient to cover the cost of benefits and expenses and the fund was certified to be in sound financial condition as at 31 March 2012.

None of the above mentioned plans are State Plans.

**46 RELATED PARTY TRANSACTIONS**

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

**46.1 Interest of Related Parties**

Councillors and/or management of the municipality have relationships with businesses as indicated below:

Name of Related Person	Designation	Relationship	Interest
Eiman M	Mayor	Member of municipal council	Husband is a member of Bouvest 2324 CC
Smith PJJ	Councillor	Member of municipal council	Member of Mier Toeriste Winkel CC and spouse is a member of First Works 136 CC
J.J. Smith	Councillor	Member of municipal council	Vergesig Mier Boerdery
Farao PP	Councillor	Member of municipal council	Director of Genade Kleinboere (Pty) Ltd
Masikani S	Councillor	Member of municipal council	Member of Women Leading Guesthouse CC and Red Dune Events, Decor and Catering Planners Co-Operative Limited
A Titus	Councillor	Member of municipal council	-
N Joseph	Councillor	Member of municipal council	-
KW Dodds	Councillor	Member of municipal council	-
M Makibi	Former acting Municipal Manager	Member of key management	-
L Suipers	Former acting AO/Administrator	Member of key management	-
J Mienies	Acting Technical Manager	Member of key management	-
IJ van Wyk	Acting Strategic Manager	Member of key management	-
EN Mouton	Acting Chief Financial Officer	Member of key management	-
Mouton CA.	Acting Corporate Manager	Member of key management	Member of Doermanskolk Boerdery CC
S.K. Coetzee	Acting Community Services Manager	Member of key management	-
J Williemse	Acting Municipal Manager	Member of key management	Member of Brainwave Projects 1567 cc and Black Sparrow Trading cc
GM Mouton	Tenant to the municipality	Close family member of key management. Brother of the CFO	-
F Mienies	Tenant to the municipality	Close family member of key management. Brother of the Technical Manager	-
PP Mienies	Tenant to the municipality	Close family member of key management	-
D.Mienies	Employee of the municipality	Close family member of key management. Brother of the acting Technical Manager	-
Mervin van Wyk	Employee of the municipality	Close family member of key management. Cousin of the Acting IDP Manager	-

**MIER LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

			2015 R	2014 R
<b>46 RELATED PARTY TRANSACTIONS (Continued)</b>				
M.Dodds	Employee of the municipality	Close family member of key management. Aunt of a council member	-	
S Dodds	Money paid for the rendering of services	Close family member of council member		
Shirlene Mouton	Employee of the municipality	Close family member of key management. The corporate manager is her Brother in law	-	
E Steenkamp	Employee of the municipality	Close family member of key management	-	
David Arnaldo Bock	Employee of the municipality	Close family member of key management. Brother of council member	-	
Charelle Kooper	Employee of the municipality	Close family member of key management. Daughter of council member	-	
WG Dodds	Buyer of land from municipality	Close family member of council member	-	
F.Mouton	Employee of the municipality	Close family member of key management. Brother of the Acting Corporate Manager	-	
LR Julies	Employee of the municipality	Close family member of key management. Aunt of the CFO	-	
MS de Klerk	Employee of the municipality	Close family member of key management. Mother in Law of the IDP Manager	-	
VSA Rens	Employee of the municipality	Close family member of key management. Brother in Law of the Technical Manager	-	
JC Mouton	Employee of the municipality	Close family member of key management. Brother in Law of the CFO		Director of Jacqui's Guesthouse and Red Dune Enterprise
ZF Mgcawu District Municipality (Receivable)	Local District Municipality	District municipality with significant control		
<b>Related Person</b>				
			<b>Purchases for the Year</b>	
			<b>2015</b>	<b>2014</b>
<b>Rental of Facilities and Equipment</b>				
GM Mouton			2,701.29	10,406.21
F Mienies			2,751.60	2,751.60
PP Mienies			3,940.81	-
Smith JJ			-	3,144.00
<b>Suppliers Paid</b>				
DA Bock			35,128.38	47,833.20
F.Mouton			-	2,400.00
M van Wyk			-	30,270.16
D.Mienies			30,000.00	30,000.00
M.Dodds			1,380.60	3,583.20
Shirlene Mouton			6,832.00	240.00
Charelle Kooper			-	2,160.00
<b>Employee cost</b>				
LR Julies			148,759.72	139,604.07
DA Bock			107,339.03	47,833.20
MS de Klerk			149,658.50	140,501.57
VSA Rens			117,294.56	104,662.07
JC Mouton			278,501.11	148,722.63
<b>Contracts administrated on behalf of the municipality:</b>				
ZF Mgcawu District Municipality (Receivable)			1,608,451.52	3,386,025.00
ZF Mgcawu District Municipality (Commission paid)			-	337,102.57

**46.2 Services rendered to Related Parties**

During the year the municipality rendered services to the following related parties that are related to the municipality as indicated:

**MIER LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

			2015 R	2014 R
<b>46 RELATED PARTY TRANSACTIONS (Continued)</b>				
	<b>Rates Charges R</b>	<b>Service Charges R</b>	<b>Sundry Charges R</b>	<b>Outstanding Balances R</b>
<b>For the Year ended 30 June 2015</b>				
Councillors	104	12,251	-	(14,255)
Municipal Manager and Section 57 Personnel	-	20,735	120	35,507
<b>Total Services</b>	<b>104</b>	<b>32,986</b>	<b>120</b>	<b>21,252</b>
<b>For the Year ended 30 June 2014</b>				
Councillors	344	11,360	-	4,528
Municipal Manager and Section 57 Personnel	151	21,534	-	30,166
<b>Total Services</b>	<b>495</b>	<b>32,894</b>	<b>-</b>	<b>34,694</b>

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

**46.3 Loans granted to Related Parties**

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. Loans, together with the conditions thereof, granted prior to this date are disclosed in Note N/A to the Annual Financial Statements.

**46.4 Compensation of Related Parties**

Compensation of Key Management Personnel and Councillors is set out in Appendix G, Statement of Remuneration of Management, to the Annual Financial Statements.

**47 CONTINGENT LIABILITIES**

<b>47.1 Court Proceedings:</b>	<b>265,000</b>	<b>270,000</b>
(i) Vergesig Mier Boerdery BK: Vergesig Mier Boerdery BK issued summons for specific performance claiming transfer of certain property in the name of Vergesig Boerdery BK. The case is still pending. Council's Ref : MIE2-B/0005 The matter was set down for trial during February 2014. The estimated days for completing the trial was 4 days. On arrival the Plaintiff requested the time for preparing a possible settlement. The judge president requested a formal Rule 37. On day 2 the Plaintiff requested more time which was granted. On the morning of day 3 the legal team of the Plaintiff informed us that their instructions was ended. The Plaintiff requested a remand to appoint a new attorney and advocate and the case was remanded sine die. The estimated cost on completing the case – R250 000.00. Trial not completed, Rule 37 negotiations in progress	250,000	250,000
(iii) Ricogen (Pty) Ltd: The Court found that the procedures followed for the tender was not adhered to and found that the contracts with Amadwala Trading was invalid. Amadwala Trading filed an appeal which is still pending Council's ref : MIE2-B/0020 Our instructions were not to file a counter appeal and are we awaiting the outcome of the matter. No further instructions received, apparently the judgement was abandoned by Ricogen.	-	-
(iv) Klipkolk Gastehuis/ HJ Bott: Mr Bott wrote a letter through his legal representative claiming that in accordance to a contract that he had with the municipality, the municipality owes him certain amounts of money for improvements to Klipkolk Gastehuis and that the municipality undertook to refund him in one or other way. Apparently summons was issued. The municipality did not stop our instructions. The Plaintiff informed us that another attorney filed a Notice to Defend.	-	-



**MIER LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>47 CONTINGENT LIABILITIES (Continued)</b>		
(v) Collection Matters: Certain farmers in terms a the lease agreement of the municipal property/farms do not pay for water and were remanded Council's Ref : MIE2-B/0007 If no summons is issued, a minimal amount in costs (approximately R1 000.00 per matter will be paid) Currently there are about 4 of these matters where payment is outstanding.	4,000	4,000
(vi) NC Smith & JJ van Schalkwyk: Smith & van Schalkwyk wrote a letter by way of their legal representative to make the same claim as in the Vergesig Mier Boerdery BK matter. They were referred to three case pending. Approximately cost R5 000. It is uncertain whether these two claimants will issue summons. Most likely they will await the outcome of the Vergesig Mier Boerdery BK case.	5,000	5,000
(vii) Legal Opinion: JF van Rooi: An opinion was obtained in a motor vehicle accident and possible claim against the municipality. Estimated cost - R3 000.	3,000	3,000
(viii) Legal Opinion: BJ Cloete: Mr. BJ Cloete is preforming agriculture activities on farm no.20 of the 585 farms with out the authorisation of the council and was requested to remove all of his live stock as he did not meet all of his obligations and the farm was allocated to Mr. M Snyders. Estimated cost - R5 000. Matter completed in the 2014 financial year	-	5,000
(ix) Keimoes Properties: Uncertainty existed as to ownership of certain properties in Keimoes regarding a lease agreement. Council was requested to do a deeds office search. Correspondence in this regard referred to the outcome. Estimated cost - R3 000. Matter is still pending for decision on lease	3,000	3,000
(v) AJ Bezuidenhout - Coertzenburg: Our client received a letter from mrss Lange Carr & Wessels Inc indicating that their client, Bezuidenhout is interested in obtaining ownership of the farm Coetzenburg on the same basis as Bott is claiming ownership of the farm Vergesig. Council's Ref : MIE2-B/0019 Estimated costs – at this stage only minor consultation and correspondence. Bezuidenhout's attorneys was referred to the pending case of Bott and Vergesig which deals with the same merits and was set down for trial at the end of February 2014. We assume that the matter will be held over until after the case was heard. It is not possible to make an estimate of costs at this stage. Bezuidenhout's attorneys was referred to the pending case of Bott and Vergesig which deals with the same merits and was set down for trial at the end of February 2014. We assume that the matter will be held over until after the case was heard. It is not possible to make an estimate of costs at this stage	-	-
(vi) Development Bank of South Africa (DBSA): The municipality defaulted on the loan conditions of the DBSA during the financial year and as a result of the breach in contract a contingent liability exists. The DBSA shall be entitled, after giving the borrower 30 days written notice to suspend drawdown's from the loan or to terminate this agreement and to claim from the borrower immediate payment of all the outstanding amounts should the borrower commit a breach of this agreement. The DBSA shall be entitled to exercise its rights – [Section 10.2.1] - The borrower failing to repay the capital amount and to pay interest.	-	-
(vii) Lulama Lobi The Court found that the procedures followed for the tender was not adhered to and found that the contracts with Amadwala Trading was invalid. Amadwala Trading filed an appeal which is still pending.	550,000	-
<b>48 CONTINGENT ASSETS</b>		
<b>48.1 Legal Causes:</b>	<b>55,000</b>	<b>55,000</b>
(i) Good paid, not received: The municipality paid an amount of R55 000.00 to Oranjerivier Stene for the delivery of building bricks. After payment was done, the supplier did not delivery any of the bricks. The municipality's attorneys are investigating the cause. Estimated legal costs – R10 000.00	55,000	55,000

**49 PRIVATE PUBLIC PARTNERSHIPS**

During the 2007/2008 financial year the Municipality together with "The Khomani San Communal Property Association" concluded a management agreement with "Victory Parade Trading 73 (Pty) Ltd" for the operation of the "Xaus Lodge". In accordance with the agreement the responsibly rest fully with the operator and the Municipality does not derive any financial benefit. This agreement does not comply with the requirement of a Joint Venture. This matter has been disclosed for the benefit of the users of the financial statements.

**MIER LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

<b>2015</b>	<b>2014</b>
<b>R</b>	<b>R</b>

**50 EVENTS AFTER THE REPORTING DATE**

No events having financial implications requiring disclosure occurred subsequent to 30 June 2015.

**51 COMPARATIVE FIGURES**

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 35).

**52 GOING CONCERN ASSESSMENT**

Management considered the following matters relating to the Going Concern:

(i) On 31 May 2015 the Council adopted the 2013/14 to 2015/16 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash-backed over the three-year period.

(ii) The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.

(iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.

(iv) As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

The following are indicators that the financial sustainability may be under threat. These include the following:

Revenue of the municipality is not being collected, consumer debtors increased with 6% from 2012/13 financial year and 98% of consumer debtor account is outstanding for more than 90 days;

The municipal budget have been overspent with R11 197 736 (2014: R9 387 899) for the current financial year;

The municipality is not able to settle supplier accounts within 30 days of receipt of the invoice and 86% of trade payables are outstanding for periods

The municipality defaulted on payment terms entered into with a credit provider;

The current liabilities exceeds the current assets with 37%, indicating that the municipality is not in a position to settle debt as it becomes due within the next 12 months;

The municipality is experiencing difficulty to remunerate employees within the agreed timeframes, leading to labour strikes;

Subsequent to the 2013 year end the municipality have been placed under financial administration by the MEC of Local Government in the Northern Cape Province;

The municipality is based in a remote are in the Northern Cape Province with little economic activity and many community members are classified as indigent consumers of the municipality. As a result the municipality struggles to collect revenue and this result in significant cash flow problems, which cast significant doubt on the municipality's ability to continue as a going concern. The municipality is dependent on national and provincial grants for its continued existence.

Its important to highlight for the user that the Demarcation board announced that as from April/May 2016, Mier Local Municipality will be merging with //Khara Hais Local Municipality in Upington

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

**APPENDIX A**  
**MIER LOCAL MUNICIPALITY**  
**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2015**

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2014	Received during the Period	Loan (over)/under paid	Ineterst Charged during period	Redeemed/ Written Off during Period	Balance at 30 June 2015
<b>ANNUITY LOANS</b>	<b>R</b>				<b>R</b>	<b>R</b>			<b>R</b>	<b>R</b>
Development Bank of South Africa	1,560,000	5.00%	61000560	31.08.2014	51,809	-	-	330	(52,140)	-
DBSA (Arreas)	-	7.00%	61000560		946,479	-	-	66,382	(97,860)	915,001
<b>Total Annuity Loans</b>	<b>1,560,000</b>				<b>998,288</b>	<b>-</b>	<b>-</b>	<b>66,712</b>	<b>(150,000)</b>	<b>915,001</b>
<b>TOTAL EXTERNAL LOANS</b>	<b>1,560,000</b>				<b>998,288</b>	<b>-</b>	<b>-</b>	<b>66,712</b>	<b>(150,000)</b>	<b>915,001</b>

**ANNUITY LOANS:**

**DBSA:**

Original loan capital of R1 560 000 is repayable monthly in fixed instalments of capital and fixed rate interest.

**APPENDIX B**  
**MIER LOCAL MUNICIPALITY**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2015**

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
<b>Land</b>	R	R	R	R	R	R	R	R	R	R
Land: Developed	-	-	-	-	-	-	-	-	-	-
Land: Undeveloped	95,328,018	-	-	-	95,328,018	-	-	-	-	95,328,018
	<b>95,328,018</b>	-	-	-	<b>95,328,018</b>	-	-	-	-	<b>95,328,018</b>
<b>Buildings</b>										
<i>Residential:</i>										
Residences	2,582,254	-	-	-	2,582,254	1,895,151	70,703	-	1,965,853	616,400
<i>Non Residential:</i>										
Commercial	36,800	-	-	-	36,800	19,504	1,472	-	20,976	15,824
Agriculture	2,592,000	-	-	-	2,592,000	1,373,760	103,680	-	1,477,440	1,114,560
Office Buildings	3,092,000	-	-	-	3,092,000	1,717,832	123,680	-	1,841,512	1,250,488
Community Hall	36,108,778	1,907,488	-	-	38,016,266	6,171,603	323,713	-	6,495,316	31,520,950
Other	8,412,800	-	-	-	8,412,800	4,458,784	336,512	-	4,795,296	3,617,504
	<b>52,824,632</b>	<b>1,907,488</b>	-	-	<b>54,732,120</b>	<b>15,636,633</b>	<b>959,760</b>	-	<b>16,596,393</b>	<b>38,135,727</b>
<i>Electricity:</i>										
Electric Street Pole With Fitted Lamp	11,606	-	-	-	11,606	3,482	1,161	-	4,643	6,963
Electric Wood Pole With Street Light	90,599	-	-	-	90,599	68,687	2,265	-	70,952	19,647
LV Overhead Cables	170,279	-	-	-	170,279	102,168	4,257	-	106,425	63,854
Pole Mounted Transformer	65,094	-	-	-	65,094	39,056	1,627	-	40,683	24,410
Solar Panels -	47,771	-	-	-	47,771	10,616	3,539	-	14,155	33,617
Streetlights	462,761	115,517	-	-	578,278	-	10,618	-	10,618	567,660
Wood Street Pole With Fitted Lamp	31,604	-	-	(4,214)	27,390	19,805	1,422	(4,109)	17,118	10,272
<i>Roads and Transport:</i>										
Concrete slab	72,630	-	-	-	72,630	1,671	1,210	-	2,881	69,748
Concrete Slab (Motorgate)	9,384	-	-	(9,384)	0	5,787	3,284	(9,071)	-	0
Entrance Kerbing	40,364	-	-	-	40,364	1,690	807	-	2,497	37,866
Entrance slab	55,337	-	-	-	55,337	1,274	922	-	2,196	53,140
Field Catch Pit	11,889	-	-	(11,889)	(0)	6,935	4,756	(11,691)	-	(0)
Kerbing	1,241,232	-	-	-	1,241,232	29,668	24,590	-	54,258	1,186,974
Kerbing										
Kerbing - Flat	302,073	-	-	-	302,073	166,800	6,041	-	172,841	129,232
Kerbing - High	283,805	-	-	-	283,805	27,138	5,676	-	32,814	250,991
Kerbing - Semi Flat	404,159	-	-	-	404,159	54,475	8,083	-	62,558	341,601
Parking Bays - Asphalt	63,803	-	-	-	63,803	38,282	1,595	-	39,877	23,926
Road Asphalt Residential	919,461	-	-	-	919,461	551,676	22,987	-	574,663	344,798
Road Base Structure	1,509,743	-	-	-	1,509,743	43,785	30,195	-	73,980	1,435,763
Road Brick Residential	2,527,906	-	-	-	2,527,906	577,309	50,558	-	627,867	1,900,039

**APPENDIX B**  
**MIER LOCAL MUNICIPALITY**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2015**

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R
Road Gravel Distributor	237,748	-	-	(197,557)	40,191	178,311	33,653	(177,801)	34,163	6,028
Road Gravel Residential	7,515,861	-	-	(730,751)	6,785,110	6,044,157	606,383	(681,316)	5,969,224	815,886
Road Sign 1 Pole	162,089	-	-	(42,271)	119,818	123,949	15,295	(42,066)	97,178	22,640
Road Sign 2 Pole	31,703	-	-	(7,926)	23,777	30,118	762	(7,926)	22,954	823
Road Signs	76,582	-	-	-	76,582	19,435	11,272	-	30,707	45,875
Road Surface	9,055,223	-	-	-	9,055,223	330,469	231,659	-	562,128	8,493,095
Roads Base Structure	14,825,494	-	-	-	14,825,494	5,925,573	296,510	-	6,222,083	8,603,411
Slabs	405,570	-	-	-	405,570	6,657	20,757	-	27,414	378,156
Speed Bump	46,965	-	-	-	46,965	2,458	1,174	-	3,632	43,333
Speed Hump	45,653	-	-	-	45,653	27,392	1,141	-	28,533	17,120
Speed humps	33,305	-	-	-	33,305	1,150	833	-	1,983	31,322
Stormwater channel	57,497	-	-	-	57,497	1,345	958	-	2,303	55,193
Stormwater Culvert	78,752	-	-	(13,095)	65,657	48,809	6,332	(12,877)	42,264	23,393
Vehicle Bridge	1,714,968	-	-	-	1,714,968	21,192	21,192	-	42,384	1,672,584
WIP	3,146,511	7,911,888	1,261,966	-	12,320,365	-	62,013	-	62,013	12,258,352
<i>Sanitation:</i>										
Concrete slab	155,423	-	-	-	155,423	85,483	2,590	-	88,073	67,349
Landfill Site	19,619,907	-	-	-	19,619,907	12,850,109	2,024,191	-	14,874,300	4,745,606
Oxidation Pond	3,866,689	-	-	-	3,866,689	2,746,457	96,667	-	2,843,124	1,023,565
Perimeter Protection	254,865	-	-	-	254,865	76,459	12,743	-	89,202	165,662
Pipe Works	186,807	-	-	-	186,807	56,042	6,227	-	62,269	124,538
WIP	105,000	-	2,479,335	-	2,584,335	-	-	-	-	2,584,335
<i>Water:</i>										
Building	1,833,409	-	-	-	1,833,409	1,128,473	32,793	-	1,161,266	672,143
Cage	97,002	-	-	-	97,002	47,005	3,233	-	50,238	46,763
Concrete slab	466,430	-	-	-	466,430	249,899	7,774	-	257,673	208,758
Distribution/Pillar Boxes	50,189	-	-	-	50,189	23,152	1,004	-	24,156	26,033
Elevated Storage	5,260,024	-	-	-	5,260,024	2,475,152	109,055	-	2,584,207	2,675,817
Generator	179,888	-	-	-	179,888	98,938	11,993	-	110,931	68,957
Manholes	35,978	-	-	-	35,978	19,788	720	-	20,508	15,470
Perimeter Protection	1,728,704	-	-	(24,932)	1,703,772	1,060,188	90,175	(23,686)	1,126,677	577,095
Pipe Works	912,797	-	-	(10,553)	902,244	514,778	49,572	(10,026)	554,324	347,920
Plastic Tank	130,019	-	-	-	130,019	120,004	4,352	-	124,356	5,663
Poelie	4,416	-	-	(4,416)	-	1,524	2,009	(3,533)	-	-
Prepaid Water Meters	593,489	-	-	-	593,489	385,768	29,674	-	415,442	178,047
Reservoir	1,810,428	-	-	-	1,810,428	998,110	36,209	-	1,034,319	776,109
Stroom 3 Monopomp Kop 40mm	8,454	-	-	(8,454)	-	2,918	3,845	(6,763)	-	-
Substation	97,379	-	-	-	97,379	53,559	3,661	-	57,220	40,159
Telemetry	438,952	-	-	-	438,952	188,481	20,370	-	208,851	230,101
Water house connection (incl meter)	2,296,876	-	-	-	2,296,876	1,263,282	114,844	-	1,378,126	918,750
Water pipe (incl hydrant & valves)	73,464,871	-	-	-	73,464,871	25,723,948	1,224,415	-	26,948,363	46,516,508
Water Pumps	15,684,782	-	-	(36,033)	15,648,749	8,907,223	716,813	(33,687)	9,590,349	6,058,400
	<b>175,038,197</b>	<b>8,027,405</b>	<b>3,741,301</b>	<b>(1,101,475)</b>	<b>185,705,428</b>	<b>73,588,059</b>	<b>6,100,455</b>	<b>(1,024,552)</b>	<b>78,663,962</b>	<b>107,041,466</b>
	-	-	-	-	-	-	-	-	-	-

**APPENDIX B**  
**MIER LOCAL MUNICIPALITY**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2015**

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R
<b>Leased Assets</b>										
Office Equipment	200,785	6,947	-	-	207,732	148,811	32,064	-	180,875	26,857
	<b>200,785</b>	<b>6,947</b>	<b>-</b>	<b>-</b>	<b>207,732</b>	<b>148,811</b>	<b>32,064</b>	<b>-</b>	<b>180,875</b>	<b>26,857</b>
<b>Other Assets</b>										
Fire fighting equipment / fire hoses	86,860	-	-	(19,100)	67,760	50,903	8,517	(16,330)	43,090	24,670
<i>Furniture and Fittings:</i>										
Beds	28,500	-	-	-	28,500	24,435	441	-	24,876	3,624
Cabinets & cupboards	123,039	-	-	-	123,039	80,595	9,089	-	89,684	33,355
Chairs and couches	237,293	-	-	(15,367)	221,926	152,691	21,946	(11,867)	162,770	59,156
Other furniture and fittings	26,593	-	-	-	26,593	20,888	952	-	21,840	4,753
Shelving and bookcases	72,360	8,771	-	-	81,131	47,677	6,203	-	53,880	27,251
Tables & desks	300,315	70,020	-	(1,171)	369,164	196,877	28,929	(1,031)	224,775	144,389
<i>Motor Vehicles:</i>										
Farm vehicles	55,000	-	-	-	55,000	18,040	36,960	-	55,000	-
Specialised vehicles	26,272	-	-	-	26,272	7,414	1,599	-	9,013	17,259
Trailers and accessories	71,000	-	-	-	71,000	32,376	487	-	32,863	38,137
Trucks, buses and Idv's	449,726	860,728	-	-	1,310,454	116,516	51,337	-	167,853	1,142,601
<i>Office Equipment:</i>										
Air conditioners	221,885	96,400	-	(19,200)	299,085	162,490	37,780	(15,014)	185,256	113,829
Audiovisual equipment	39,226	-	-	-	39,226	32,405	1,468	-	33,873	5,353
Computer hardware	537,715	212,875	-	(7,509)	743,081	407,730	65,398	(6,908)	466,220	276,861
Domestic equipment	10,203	-	-	-	10,203	8,573	407	-	8,980	1,223
Office equipment - other	17,898	-	-	-	17,898	12,652	1,607	-	14,259	3,639
Office machines	32,966	-	-	-	32,966	25,391	1,558	-	26,949	6,017
<i>Plant and Equipment:</i>										
Compressors	9,491	-	-	-	9,491	7,138	338	-	7,476	2,015
Generators	121,754	-	-	-	121,754	77,909	21,816	-	99,725	22,029
Lab equipment	39,079	-	-	-	39,079	24,771	3,065	-	27,836	11,243
Plant and equipment - other	111,345	-	-	(12,836)	98,509	49,439	11,063	(9,062)	51,440	47,069
Workshop equipment and tools	19,025	-	-	-	19,025	17,040	190	-	17,230	1,795
	<b>2,637,544</b>	<b>1,248,794</b>	<b>-</b>	<b>(75,183)</b>	<b>3,811,155</b>	<b>1,573,950</b>	<b>311,150</b>	<b>(60,212)</b>	<b>1,824,888</b>	<b>1,986,267</b>
<b>Total</b>	<b>326,029,176</b>	<b>11,190,634</b>	<b>3,741,301</b>	<b>(1,176,658)</b>	<b>339,784,453</b>	<b>90,947,453</b>	<b>7,403,429</b>	<b>(1,084,764)</b>	<b>97,266,118</b>	<b>242,518,334</b>

**APPENDIX B**  
**MIER LOCAL MUNICIPALITY**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2015**

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R

**MIER LOCAL MUNICIPALITY**  
**ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2015**

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Fair Value Adj	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
<b>Investment Properties</b>	R	R	R	R	R	R	R	R	R	R
Land	8,858,000	2,461,263	-	-	11,319,263	-	-	-	-	11,319,263
Buildings	5,603,456	(3,236,320)	-	-	2,367,136	-	-	-	-	2,367,136
		-	-	-	-	-	-	-	-	-
	<b>14,461,456</b>	<b>(775,057)</b>	-	-	<b>13,686,399</b>	-	-	-	-	<b>13,686,399</b>
									-0.00	0.00

**MIER LOCAL MUNICIPALITY**  
**ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2015**

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
<b>Intangible Assets</b>	R	R	R	R	R	R	R	R	R	R
Computer Software	1,874,636	169,350	-	-	2,043,986	37,339	27,481	-	64,820	1,979,166
	<b>1,874,636</b>	<b>169,350</b>	-	-	<b>2,043,986</b>	<b>37,339</b>	<b>27,481</b>	-	<b>64,820</b>	<b>1,979,166</b>
									-0.00	0.00
<b>Total Asset Register</b>	<b>342,365,268</b>	<b>10,584,927</b>	<b>3,741,301</b>	<b>(1,176,658)</b>	<b>355,514,838</b>	<b>90,984,792</b>	<b>7,430,910</b>	<b>(1,084,764)</b>	<b>97,330,938</b>	<b>258,183,900</b>

**APPENDIX C**  
**MIER LOCAL MUNICIPALITY**  
**SEGMENTAL ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2015**

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R
Executive and Council	116,361	-	-	(360)	116,001	86,078	8,396	(331)	94,143	21,858
Finance and Administration	4,264,477	1,425,092	-	(74,158)	5,615,410	1,528,509	348,024	(59,569)	1,816,963	3,798,447
Waste Management	208,469,848	9,159,836	1,261,966	(1,017,752)	217,873,898	30,189,565	2,459,406	(947,169)	31,701,802	186,172,095
Water	105,167,193	-	-	(84,388)	105,082,804	43,314,037	2,467,586	(77,694)	45,703,929	59,378,875
Waste water management	24,347,390	-	2,479,335	-	26,826,725	15,866,604	2,147,497	-	18,014,101	8,812,624
<b>Total</b>	<b>342,365,268</b>	<b>10,584,927</b>	<b>3,741,301</b>	<b>(1,176,658)</b>	<b>355,514,838</b>	<b>90,984,792</b>	<b>7,430,910</b>	<b>(1,084,764)</b>	<b>97,330,938</b>	<b>258,183,900</b>



**APPENDIX D**  
**MIER LOCAL MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015**

2014 Actual Income	2014 Budgeted Income	2014 Actual Expenditure	2014 Budgeted Expenditure	2014 Surplus/ (Deficit)	Description	2015 Actual Income	2015 Budgeted Income	2015 Actual Expenditure	2015 Budgeted Expenditure	2015 Surplus/ (Deficit)
R	R	R	R	R		R	R	R	R	R
-	-	2,470,736	2,790,068	(2,470,736)	Executive and Council	-	-	3,939,973	3,602,958	(3,939,973)
26,161,705	30,224,060	11,475,293	8,113,959	14,686,412	Budget and Treasury Office	34,223,164	38,340,972	10,838,939	9,582,038	23,384,226
-	-	1,684,332	1,407,519	(1,684,332)	Corporate Services	-	-	1,635,129	1,759,205	(1,635,129)
913,472	1,054,856	2,864,666	3,830,920	(1,951,194)	Community and Social Services	9,775	800,000	3,459,795	7,742,520	(3,450,020)
6,572,296	1,461,558	1,829,644	1,359,799	4,742,653	Waste Management	5,188,034	1,952,218	4,106,122	1,883,335	1,081,912
531,373	1,142,077	3,103,014	1,780,861	(2,571,641)	Waste Water Management	724,874	2,571,447	3,197,350	2,356,766	(2,472,475)
1,008,709	1,298,362	4,501,260	2,781,787	(3,492,551)	Water	900,853	3,875,013	6,954,464	2,953,668	(6,053,611)
<b>35,187,555</b>	<b>35,180,913</b>	<b>27,928,945</b>	<b>22,064,913</b>	<b>7,258,610</b>	Sub-Total	<b>41,046,701</b>	<b>47,539,650</b>	<b>34,131,771</b>	<b>29,880,490</b>	<b>6,914,930</b>
<b>35,187,555</b>	<b>35,180,913</b>	<b>27,928,945</b>	<b>22,064,913</b>	<b>7,258,610</b>	Total	<b>41,046,701</b>	<b>47,539,650</b>	<b>34,131,771</b>	<b>29,880,490</b>	<b>6,914,930</b>

**APPENDIX E(1)**  
**MIER LOCAL MUNICIPALITY**

**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION FOR THE YEAR ENDED 30 JUNE 2015**

Description	2014/15							
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R
<b>REVENUE - STANDARD</b>								
<b>Governance and Administration:</b>								
Budget and Treasury Office	28,679,052	9,050,274	37,729,326	37,729,326	34,223,164	(3,506,162)	90.71	119.33
<b>Community and Public Safety:</b>								
Community and Social Services	-	1,439,945	1,439,945	1,439,945	9,775	(1,430,169)	0.68	0.00
<b>Trading Services:</b>								
Water	1,979,596	1,867,121	3,846,717	3,846,717	900,853	(2,945,864)	23.42	45.51
Waste Water Management	2,571,447	-	2,571,447	2,571,447	724,874	(1,846,573)	28.19	28.19
Waste Management	1,469,138	483,080	1,952,218	1,952,218	5,188,034	3,235,816	265.75	353.13
<b>Total Revenue - Standard</b>	34,699,233	12,840,420	47,539,653	47,539,653	41,046,701	(6,492,952)	86.34	118.29
<b>EXPENDITURE - STANDARD</b>								
<b>Governance and Administration:</b>								
Executive and Council	3,149,875	448,084	3,597,959	3,597,959	3,939,973	342,013	109.51	125.08
Budget and Treasury Office	10,049,924	(467,885)	9,582,039	9,582,039	10,838,939	1,256,899	113.12	107.85
Corporate Services	1,485,240	272,821	1,758,061	1,758,061	1,635,129	(122,933)	93.01	110.09
<b>Community and Public Safety:</b>								
Community and Social Services	2,927,612	2,347,790	5,275,402	5,275,402	3,459,795	(1,815,606)	65.58	118.18
<b>Trading Services:</b>								
Water	2,921,830	2,500,094	5,421,924	5,421,924	6,954,464	1,532,540	128.27	238.02
Waste Water Management	2,404,148	(42,380)	2,361,767	2,361,767	3,197,350	835,582	135.38	132.99
Waste Management	1,381,846	501,492	1,883,338	1,883,338	4,106,122	2,222,784	218.02	297.15
<b>Total Expenditure - Standard</b>	24,320,475	5,560,015	29,880,491	29,880,491	34,131,771	4,251,280	114.23	140.34
<b>Surplus/(Deficit) for the year</b>	<b>10,378,758</b>	<b>7,280,404</b>	<b>17,659,163</b>	<b>17,659,163</b>	<b>6,914,930</b>	<b>(10,744,232)</b>	<b>39.16</b>	<b>66.63</b>

**APPENDIX E (2)**  
**MIER LOCAL MUNICIPALITY**

**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2015**

Description	2014/15								
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R
<b>REVENUE BY VOTE</b>									
Vote 1 - Budget & Treasury	28,679,052	9,050,274	37,729,326	37,729,326	34,223,164	-	(3,506,162)	90.71	119.33
Vote 4 - Community & Social Services	-	1,439,945	1,439,945	1,439,945	9,775	-	(1,430,169)	0.68	0.00
Vote 5 - Waste water management	2,571,447	-	2,571,447	2,571,447	724,874	-	(1,846,573)	28.19	28.19
Vote 6 - Waste management	1,469,138	483,080	1,952,218	1,952,218	5,188,034	-	3,235,816	265.75	353.13
Vote 7 - Water	1,979,596	1,867,945	3,847,541	3,847,541	900,853	-	(2,946,688)	23.41	45.51
<b>Total Revenue by Vote</b>	<b>34,699,233</b>	<b>12,841,244</b>	<b>47,540,477</b>	<b>47,540,477</b>	<b>41,046,701</b>	<b>-</b>	<b>(6,493,776)</b>	<b>86.34</b>	<b>118.29</b>
<b>EXPENDITURE BY VOTE</b>									
Vote 1 - Budget & Treasury	10,049,924	(467,885)	9,582,039	9,582,039	10,838,939	1,256,899	1,256,899	113.12	107.85
Vote 2 - Corporate services	1,485,240	273,644	1,758,884	1,758,884	1,635,129	-	(123,756)	92.96	110.09
Vote 3 - Executive and Council	3,149,875	448,084	3,597,959	3,597,959	3,939,973	342,013	342,013	109.51	125.08
Vote 4 - Community & Social Services	2,927,612	2,347,790	5,275,402	5,275,402	3,459,795	-	(1,815,606)	65.58	118.18
Vote 5 - Waste water management	2,404,148	(42,380)	2,361,767	2,361,767	3,197,350	835,582	835,582	135.38	132.99
Vote 6 - Waste management	1,381,846	501,492	1,883,338	1,883,338	4,106,122	2,222,784	2,222,784	218.02	297.15
Vote 7 - Water	2,921,830	2,500,094	5,421,924	5,421,924	6,954,464	1,532,540	1,532,540	128.27	238.02
<b>Total Expenditure by Vote</b>	<b>24,320,475</b>	<b>5,560,838</b>	<b>29,881,314</b>	<b>29,881,314</b>	<b>34,131,771</b>	<b>6,189,819</b>	<b>4,250,457</b>	<b>114.22</b>	<b>140.34</b>
<b>Surplus/(Deficit) for the year</b>	<b>10,378,758</b>	<b>7,280,405</b>	<b>17,659,163</b>	<b>17,659,163</b>	<b>6,914,930</b>	<b>(6,189,819)</b>	<b>(10,744,233)</b>	<b>39.16</b>	<b>66.63</b>

**APPENDIX E (3)**  
**MIER LOCAL MUNICIPALITY**

**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015**

Description	2014/15							
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R
<b>Revenue by Source</b>								
Property Rates	1,513,994	872,319	2,386,314	2,386,314	1,490,192	(896,122)	62.45	98.43
Service Charges - Water	1,407,890	-	1,407,890	1,407,890	900,853	(507,037)	63.99	63.99
Service Charges - Sanitation	2,600,830	-	2,600,830	2,600,830	750,762	(1,850,068)	28.87	28.87
Service Charges - Refuse	1,439,756	-	1,439,756	1,439,756	1,028,503	(411,253)	71.44	71.44
Rental of Facilities and Equipment	1,072,591	-	1,072,591	1,072,591	923,708	(148,882)	86.12	86.12
Interest Earned - External Investments	400,000	-	400,000	400,000	463,329	63,329	115.83	115.83
Transfers Recognised - Operational	16,544,000	5,597,993	22,141,993	22,141,993	19,434,592	(2,707,402)	87.77	117.47
Other Revenue	256,467	50,000	306,467	306,467	2,605,480	2,299,013	850.17	1,015.91
Gains on Disposal of PPE	-	-	-	-	-	-	0.00	0.00
<b>Total Revenue (excluding Capital Transfers &amp; Contrib)</b>	<b>25,207,233</b>	<b>6,520,313</b>	<b>31,727,546</b>	<b>31,727,546</b>	<b>27,597,419</b>	<b>(4,130,128)</b>	<b>86.98</b>	<b>109.48</b>
<b>Expenditure</b>								
Employee Related Costs	9,430,802	944,088	10,374,889	10,374,889	9,364,601	(1,010,288)	90.26	99.30
Remuneration of Councillors	1,781,301	112,634	1,893,935	1,893,935	1,863,586	(30,349)	98.40	104.62
Debt Impairment	4,426,611	(682,056)	3,744,555	3,744,555	696,799	(3,047,756)	18.61	15.74
Depreciation and Asset Impairment	399,451	1	399,451	399,451	7,356,720	6,957,268	1,841.71	1,841.71
Finance Charges	75,000	-	75,000	75,000	68,883	(6,117)	91.84	91.84
Other Materials	787,356	(56,391)	730,965	730,965	1,873,509	1,142,544	256.31	237.95
Contracted Services	227,843	-	227,843	227,843	-	(227,843)	0.00	0.00
Other Expenditure	5,610,684	5,241,739	10,852,423	10,852,423	12,815,778	1,963,356	118.09	228.42
Loss on Disposal of PPE	-	-	-	-	91,894	91,894	0.00	0.00
<b>Total Expenditure</b>	<b>24,320,475</b>	<b>5,560,015</b>	<b>29,880,490</b>	<b>29,880,490</b>	<b>34,131,771</b>	<b>4,251,281</b>	<b>114.23</b>	<b>140.34</b>
<b>Surplus/(Deficit)</b>	<b>886,758</b>	<b>960,298</b>	<b>1,847,056</b>	<b>1,847,056</b>	<b>(6,534,352)</b>	<b>(8,381,408)</b>	<b>0.00</b>	<b>0.00</b>
Transfers Recognised - Capital	9,492,000	6,320,107	15,812,107	15,812,107	13,449,283	(2,362,824)	85.06	141.69
<b>Surplus/(Deficit) after Capital Transfers and</b>	<b>10,378,758</b>	<b>7,280,405</b>	<b>17,659,163</b>	<b>17,659,163</b>	<b>6,914,930</b>	<b>(10,744,232)</b>	<b>39.16</b>	<b>66.63</b>
<b>Surplus/(Deficit) for the Year</b>	<b>10,378,758</b>	<b>7,280,405</b>	<b>17,659,163</b>	<b>17,659,163</b>	<b>6,914,930</b>	<b>(10,744,232)</b>	<b>39.16</b>	<b>66.63</b>

**APPENDIX E(4)**  
**MIER LOCAL MUNICIPALITY**

**RECONCILIATION OF BUDGETED CAPITAL EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2015**

Description	2014/15								
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R
<b>CAPITAL EXPENDITURE - STANDARD</b>									
<b>Governance and Administration:</b>									
Budget and Treasury Office	-	-	-	-	1,425,092	484,028	1,425,092	0.00	0.00
<b>Trading Services:</b>									
Water	665,810	(600,000)	65,810	65,810	-	-	(65,810)	0.00	0.00
Waste Water Management	-	6,920,101	6,920,101	6,920,101	2,479,334	-	(4,440,767)		
Waste Management	8,826,190	-	8,826,190	8,826,190	10,421,801	1,595,612	1,595,612	118.08	118.08
<b>Total Capital Expenditure - Standard</b>	<b>9,492,000</b>	<b>6,320,101</b>	<b>15,812,101</b>	<b>15,812,101</b>	<b>14,326,227</b>	<b>2,079,640</b>	<b>(1,485,874)</b>	<b>90.60</b>	<b>150.93</b>
<b>FUNDED BY:</b>									
National Government	9,492,000	6,320,101	15,812,101	15,812,101	11,967,019	-	(1,485,874)	75.68	126.07
<b>Transfers Recognised - Capital</b>	9,492,000	6,320,101	15,812,101	15,812,101	11,967,019	-	(1,485,874)	75.68	126.07
Public Contributions & Donations	-	-	-	-	941,064	-	941,064	0.00	0.00
Internally Generated Funds	-	-	-	-	1,418,144	-	1,418,144	0.00	0.00
<b>Total Capital Funding</b>	<b>9,492,000</b>	<b>6,320,101</b>	<b>15,812,101</b>	<b>15,812,101</b>	<b>14,326,227</b>	<b>-</b>	<b>873,333</b>	<b>90.60</b>	<b>150.93</b>

**APPENDIX E(5)**  
**MIER LOCAL MUNICIPALITY**  
**RECONCILIATION OF BUDGETED CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2015**

Description	2014/15							
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>								
<b>Receipts</b>								
Ratepayers and Other	3,811,476	732,055	4,543,531	4,543,531	7,799,166	3,255,635	171.65	204.62
Government - Operating	16,544,000	5,597,993	22,141,993	22,141,993	20,376,996			
Government - Capital	9,492,000	6,320,107	15,812,107	15,812,107	13,449,283	(2,362,824)	85.06	141.69
Interest	400,000	-	400,000	400,000	463,329	63,329	115.83	115.83
<b>Payments</b>								
Suppliers and Employees	(16,471,957)	(6,243,219)	(22,715,176)	(22,715,176)	(22,173,518)	541,658	0.00	0.00
Finance Charges	(75,000)	-	(75,000)	(75,000)	(68,883)	6,117	0.00	0.00
Transfers and Grants	(1,581,428)	-	(1,581,428)	(1,581,428)	-	1,581,428	0.00	0.00
<b>NET CASH FROM / (USED) OPERATING ACTIVITIES</b>	<b>12,119,090</b>	<b>6,406,936</b>	<b>18,526,026</b>	<b>18,526,026</b>	<b>19,846,372</b>	<b>3,085,343</b>	<b>107.13</b>	<b>163.76</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
<b>Receipts</b>								
Proceeds on Disposal of PPE	-	-	-	-	-	-	0.00	0.00
<b>Payments</b>								
Capital Assets	(9,492,000)	(6,320,107)	(15,812,107)	(15,812,107)	(15,101,286)	710,821	0.00	0.00
<b>NET CASH FROM / (USED) INVESTING ACTIVITIES</b>	<b>(9,492,000)</b>	<b>(6,320,107)</b>	<b>(15,812,107)</b>	<b>(15,812,107)</b>	<b>(15,101,286)</b>	<b>710,821</b>	<b>0.00</b>	<b>0.00</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>								
<b>Payments</b>								
Loans repaid	(500,000)	-	(500,000)	(500,000)	(101,244)	398,756	0.00	0.00
<b>NET CASH FROM / (USED) FINANCING ACTIVITIES</b>	<b>(500,000)</b>	<b>-</b>	<b>(500,000)</b>	<b>(500,000)</b>	<b>(101,244)</b>	<b>398,756</b>	<b>0.00</b>	<b>0.00</b>
					11,144,185			
<b>NET INCREASE / (DECREASE) IN CASH HELD</b>	<b>(2,127,090)</b>	<b>(86,829)</b>	<b>(2,213,919)</b>	<b>(2,213,919)</b>	<b>6,500,343</b>	<b>8,714,262</b>	<b>0.00</b>	<b>0.00</b>
Cash / Cash Equivalents at the Year begin:	-	-	-	-	7,520,519	7,520,519	0.00	0.00
Cash / Cash Equivalents at the Year end:	2,127,090	86,829	2,213,919	2,213,919	1,020,176	(1,193,744)	46.08	47.96

**APPENDIX F**  
**MIER LOCAL MUNICIPALITY**  
**DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

**Grants and Subsidies Received**

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts				Quarterly Expenditure				Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below	Reason for Non-compliance
		Sept	Dec	March	June	Sept	Dec	March	June		Yes / No	
Library Development Grant	Department of Arts and Culture	244,500	-	244,500	-	53,100	67,384	63,277	139,434	N/A	Yes	N/A
Conditional Grant - MIG	COGHSTA - National	2,892,000	2,000,000	4,000,000	-	2,115,684	3,760,362	4,202,537	5,248,802	N/A	Yes	N/A
Integrated National Electrification program	National Treasury	-	-	-	-	-	-	-	-	N/A	Yes	N/A
Department Water Affairs	DWA	-	-	-	-	-	-	-	-	N/A	Yes	N/A
Equitable Share	National Treasury	4,877,000	4,107,000	3,337,000	-	3,080,250	3,080,250	3,080,250	3,080,250	N/A	Yes	N/A
Municipal Systems Improvement Grant	COGHSTA - National	934,000	-	-	-	246,311	127,586	418,918	141,185			
Financial Management Grant	National Treasury	1,800,000	-	-	-	1,083,775	430,526	285,699	-			
Housing Grant	COGHSTA	-	-	-	-	-	9,775	-	-	N/A	Yes	N/A
13 Houses	COGHSTA	279,748	190,234	67,186	-	8,531	172,934	41,106	-	N/A	Yes	N/A
EPWP	COGHSTA	400,000	300,000	300,000	-	304,672	532,544	29,331	49,046	N/A	Yes	N/A
Nala	COGHSTA	-	-	-	-	403,850	1,011,718	-	-	N/A	Yes	N/A
DOT - Hakskeenpan projek	Department of Transport	-	483,080	-	-	251,124	285,886	155,339	9,478	N/A	Yes	N/A
Regional Bulk Water infrastructure Grant	DWA	444,714	984,327	1,382,928	-	-	984,327	1,382,928	-	N/A	Yes	N/A
Homestays & !Xuas Lodge	Department of Tourism	685,000	-	-	-	129,111	422,004	129,178	-			
<b>Total Grants and Subsidies Received</b>		<b>12,556,962</b>	<b>8,064,641</b>	<b>9,331,614</b>	<b>-</b>	<b>7,676,409</b>	<b>10,885,295</b>	<b>9,788,564</b>	<b>8,668,195</b>			
(*) Did your municipality comply with the grant conditions in terms of "Grant Framework" in the latest Division of Revenue Act?												

**APPENDIX G**  
**MIER LOCAL MUNICIPALITY**  
**STATEMENT OF REMUNERATION OF MANAGEMENT**

30 June 2015

Incumbent	Basic	Bonuses	Allowances	Total
	R	R	R	R
<b>Mayor</b>				
Eieman M	487,435	-	166,583	654,018
<b>Other Councillors</b>				
Joseph N	146,604	-	56,357	202,961
Dodds KW	146,604	-	56,357	202,961
Smith PJJ	-	-	-	-
Farao PP	177,013	-	56,357	233,370
Titus AM	177,013	-	56,357	233,370
Masikani S	177,013	-	56,357	233,370
JJ Smith	131,881		56,357	188,238
				-
<b>Total for Councillors</b>	1,443,563	-	504,725	1,948,288
<b>Manager: Municipal Manager</b>				
Willemse J	480,000	-	-	480,000
<b>Manager: Chief Financial Officer</b>				
Mouton EN	203,465	16,955	135,529	355,949
<b>Manager: Strategic Manager</b>				
I van Wyk	169,554	16,955	112,941	299,449
<b>Manager: Community Services</b>				
SK Coetzee	203,465	16,955	82,729	303,149
<b>Manager: Corporate Services</b>				
CA Mouton	203,465	16,955	135,529	355,949
<b>Manager: Technical Services</b>				
J Mienies	203,465	16,955	135,529	355,949
<b>Total for Senior Managers</b>	779,948	67,820	466,726	1,314,495
<b>Total for Management</b>	<b>2,223,511</b>	<b>67,820</b>	<b>971,451</b>	<b>3,262,783</b>



30 June 2014

<b>Mayor</b>				
Eieman M	417,188	-	157,995	575,183
<b>Other Councillors</b>				
Joseph N	125,013	-	53,410	178,423
Dodds KW	125,013	-	53,410	178,423
Smith PJJ	52,089	-	22,254	74,343
Farao PP	114,595	-	48,959	163,554
Titus AM	114,595	-	48,959	163,554
Masikani S	114,595	-	48,959	163,554
JJ Smith	52,089	-	18,782	70,871
				-
<b>Total for Councillors</b>	1,115,177	-	452,729	1,567,906
<b>Chief Financial Officer</b>				
Mouton EN	203,465	16,955	135,529	355,949
<b>Manager: Community Services</b>				
SK Coetzee	203,465	16,955	82,729	303,149
<b>Manager: Technical Services</b>				
J Mienies	203,465	16,955	135,529	355,949
<b>Total for Senior Managers</b>	813,858	67,822	489,314	1,370,994
<b>Total for Management</b>	<b>1,929,035</b>	<b>67,822</b>	<b>942,043</b>	<b>2,938,900</b>

**APPENDIX H**  
**MIER LOCAL MUNICIPALITY**  
**RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2015**

Ratio		Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)
						2015	2014		
1. FINANCIAL POSITION									
A. Asset Management / Utilisation									
1.	Capital Expenditure to Total Expenditure	Total Capital Expenditure / Total Expenditure (Total Operating Expenditure + Capital Expenditure) x 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-year Reports, IDP and AR	10% - 20%		29.56%	0.00%	Refer to Page 2 of MFMA Circular No 71	
					Total Operating Expenditure	34,131,771	27,928,945		
					Total Capital Expenditure	14,326,227	-		
2.	Impairment of Property, Plant and Equipment, Investment Property and Intangible assets (Carrying Value)	Property, Plant and Equipment + Investment Property + Intangible Assets Impairment / (Total Property, Plant and Equipment + Investment Property + Intangible Assets) x 100	Statement of Financial Position, Notes to the AFS and AR	0%		0.03%	0.01%	Refer to Page 3 of MFMA Circular No 71	
					PPE, Investment Property & Intangible Impairment	74,138	15,969		
					PPE at Carrying Value	242,518,282	235,081,669		
					IP at Carrying Value	13,686,399	14,461,456		
					Intangible Assets at Carrying Value	1,979,219	1,837,297		
3.	Repairs and Maintenance as a % of Property, Plant and Equipment and Investment Property (Carrying Value)	Total Repairs and Maintenance Expenditure / Property, Plant and Equipment and Investment Property (Carrying value) x 100	Statement of Financial Position, Statement of Financial Performance, IDP, Budgets and In-year Reports	8%		0.73%	0.34%	Refer to Page 4 of MFMA Circular No 71	
					Total Repairs and Maintenance Expenditure	1,873,509	845,691		
					PPE at Carrying Value	242,518,282	235,081,669		
					Investment Property at Carrying Value	13,686,399	14,461,456		
B. Debtors Management									
1.	Collection Rate	(Gross Debtors Closing Balance + Billed Revenue - Gross Debtors Opening Balance - Bad Debts Written-off) / Billed Revenue x 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-year Reports, IDP and AR	95%		34.68%	40.92%	Refer to Page 5 of MFMA Circular No 71	
					Gross Debtors Closing Balance	24,213,109	21,489,012		
					Gross Debtors Opening Balance	21,489,012	19,433,531		
					Billed Revenue	4,170,310	3,478,972		
2.	Bad Debts Written-off as % of Provision for Bad Debt	Bad Debts Written-off / Provision for Bad Debts x 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget and AR	100%		0.00%	0.00%	Refer to Page 5 of MFMA Circular No 71	
					Consumer Debtors Current Bad Debt Provision	708,065	1,799,602		
3.	Net Debtors Days	((Gross Debtors - Bad Debt Provision) / Actual Billed Revenue)) x 365	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget and AR	30 Days		438 Days	303 Days	Refer to Page 6 of MFMA Circular No 71	
					Gross Debtors	24,213,109	21,489,012		
					Bad Debts Provision	19,209,179	18,597,278		
					Billed Revenue	4,170,310	3,478,972		
C. Liquidity Management									
1.	Cash / Cost Coverage Ratio (Excluding Unspent Conditional Grants)	((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short-term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, Provision for Bad Debts, Impairment and Loss on Disposal of Assets)	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-year Reports and AR	1 - 3 Months		0 Months	-1 Months	Refer to Page 7 of MFMA Circular No 71	
					Cash and Cash Equivalents	1,020,176	7,520,519		
					Unspent Conditional Grants	1,404,290	9,233,552		
					Total Annual Operational Expenditure	25,211,301	18,749,697		
2.	Current Ratio	Current Assets / Current Liabilities	Statement of Financial Position, Budget, IDP and AR	1.5 - 2:1		0.60	0.71	Refer to Page 7 of MFMA Circular No 71	
					Current Assets	9,713,404	15,518,830		
					Current Liabilities	16,067,560	21,983,002		
C. Liability Management									
1.	Capital Cost (Interest Paid and Redemption) as a % of Total Operating Expenditure	Capital Cost (Interest Paid and Redemption) / Total Operating Expenditure x 100	Statement of Financial Position, Statement of Cash Flows, Statement of Financial Performance, Budget, IDP, In-year Reports and AR	6% - 8%		-0.09%	0.24%	Refer to Page 8 of MFMA Circular No 71	
					Interest Paid	68,883	67,917		
					Redemption	(101,244)	-		
					Total Operating Expenditure	34,131,771	27,928,945		
					Taxation Expense	-	-		
2.	Debt (Total Borrowings) / Revenue	(Overdraft + Current Finance Lease Obligation + Non-current Finance Lease Obligation + Short-term Borrowings + Long-term Borrowings) / (Total Operating Revenue - Operational Conditional Grants) x 100	Statement of Financial Position, Statement of Financial Performance, Budget, IDP and AR	45%		4.13%	0.00%	Refer to Page 9 of MFMA Circular No 71	
					Total Debt	934,519	-		
					Total Operating Revenue	41,046,701	-		
					Operational Conditional Grants	18,411,216	21,586,316		

**APPENDIX H**  
**MIER LOCAL MUNICIPALITY**  
**RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2015**

Ratio		Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)
						2015	2014		
C. Sustainability									
1.	Level of Cash Backed Reserves (Net Assets - Accumulated Surplus)	(Cash and Cash Equivalents - Bank Overdraft + Short-term Investment + Long-term Investment - Unspent Grants) / (Net Assets - Accumulated Surplus - Non-controlling Interest Share Premium - Share Capital - Fair Value Adjustment - Revaluation Reserve) x 100	Statement Financial Position, Budget and AR	100%		100.00%	100.00%	Refer to Page 9 of MFMA Circular No 71	
					Cash and Cash Equivalents	1,020,176	7,520,519		
					Long Term Investment	-	-		
					Unspent Grants	1,404,290	9,233,552		
					Net Assets	240,006,598	233,091,668		
Accumulated Surplus	240,006,598	233,091,668							
2. FINANCIAL PERFORMANCE									
A. Efficiency									
1.	Net Operating Surplus Margin	(Total Operating Revenue - Total Operating Expenditure) / Total Operating Revenue	Statement of Financial Performance, Budget, In-year Reports, AR, Statement of Comparison of Budget and Actual Amounts and Statement of Changes in Net Assets	= or > 0%		18.96%	20.89%	Refer to Page 10 of MFMA Circular No 71	
					Total Operating Revenue	41,046,701	35,187,555		
					Total Operating Expenditure	33,264,820	27,836,795		
3.	Net Surplus / Deficit Water	Total Water Revenue less Total Water Expenditure/Total Water Revenue x 100	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-year Reports and AR	= or > 0%		-671.99%	-346.24%	Refer to Page 11 of MFMA Circular No 71	
					Total Water Revenue	900,853	1,008,709		
					Total Water Expenditure	6,954,464	4,501,260		
4.	Net Surplus / Deficit Refuse	Total Refuse Revenue less Total Refuse Expenditure/Total Refuse Revenue x 100	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-year Reports and AR	= or > 0%		20.85%	72.16%	Refer to Page 12 of MFMA Circular No 71	
					Total Refuse Revenue	5,188,034	6,572,296		
					Total Refuse Expenditure	4,106,122	1,829,644		
5.	Net Surplus / Deficit Sanitation and Waste Water	Total Sanitation and Waste Water Revenue less Total Sanitation and Waste Water Expenditure/Total Sanitation and Waste Water Revenue x 100	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-year Reports and AR	= or > 0%		-341.09%	-483.96%	Refer to Page 12 of MFMA Circular No 71	
					Total Sanitation and Waste Water Revenue	724,874	531,373		
					Total Sanitation and Waste Water Expenditure	3,197,350	3,103,014		
B. Revenue Management									
2.	Revenue Growth (%)	((Period under Review's Total Revenue - Previous Period's Total Revenue) / Previous Period's Total Revenue ) x 100	Statement of Financial Performance, Budget, IDP, In-year Reports and AR	= CPI		16.65%	9.27%	Refer to Page 15 of MFMA Circular No 71	
					CPI	7.00%	7.00%		
					Total Revenue (Previous)	35,187,555	32,201,419		
					Total Revenue (Current)	41,046,701	35,187,555		
3.	Revenue Growth (%) - Excluding Capital Grants	((Period under Review's Total Revenue, excluding Capital Grants - Previous Period's Total Revenue, excluding Capital Grants) / Previous Period's Total Revenue, excluding Capital Grants) x 100	Statement of Financial Performance, Notes to AFS , Budget, IDP, In-year Reports and AR	= CPI		-0.49%	1.76%	Refer to Page 15 of MFMA Circular No 71	
					CPI	7.00%	7.00%		
					Total Revenue, excluding Capital Grants (Previous)	27,733,549	27,253,706		
					Total Revenue, excluding Capital Grants (Current)	27,597,419	27,733,549		
C. Expenditure Management									
1.	Creditors Payment Period (Trade Creditors)	(Trade Creditors Outstanding / Credit Purchases (Operating and Capital)) x 365	Statement of Financial Performance, Notes to AFS, Budget, In-year Reports and AR	30 Days		107 Days	197 Days	Refer to Page 16 of MFMA Circular No 71	
					Trade Creditors	8,479,793	7,423,578		
					Repairs and Maintenance	1,873,509	845,691		
					General Expenses	12,040,722	8,820,690		
					Capital Credit Purchases	15,101,286	4,088,799		
2.	Irregular, Fruitless & Wasteful and Unauthorised Expenditure / Total Operating Expenditure	((Irregular, Fruitless & Wasteful and Unauthorised Expenditure) / Total Operating Expenditure) x100	Statement Financial Performance, Notes to Annual Financial Statements and AR	0%		83.85%	42.20%	Refer to Page 16 of MFMA Circular No 71	
					Irregular, Fruitless & Wasteful and Unauthorised Expenditure	28,618,522	11,786,499		
					Total Operating Expenditure	34,131,771	27,928,945		
3.	Remuneration as % of Total Operating Expenditure	(Remuneration (Employee Related Costs and Councillors' Remuneration) / Total Operating Expenditure) x 100	Statement of Financial Performance, Budget, IDP, In-year Reports and AR	25% - 40%		32.90%	32.28%	Refer to Page 17 of MFMA Circular No 71	
					Employee / Personnel Related Cost	9,364,601	7,399,416		
					Councillors Remuneration	1,863,586	1,615,984		
					Total Operating Expenditure	34,131,771	27,928,945		
4.	Contracted Services % of Total Operating Expenditure	(Contracted Services / Total Operating Expenditure) x 100	Statement of Financial Performance, Budget, IDP, In-year Reports and AR	2% - 5%		0.00%	0.00%	Refer to Page 17 of MFMA Circular No 71	
					Total Operating Expenditure	34,131,771	27,928,945		

**APPENDIX H**  
**MIER LOCAL MUNICIPALITY**  
**RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2015**

Ratio		Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)
						2015	2014		
D. Grant Dependency									
1.	(Own funded Capital Expenditure (Internally Generated Funds) + Borrowings) to Total Capital Expenditure	(Own funded Capital Expenditure (Internally Generated Funds) + Borrowings / Total Capital Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, Notes to the Annual Financial Statements (Statement of Comparative and Actual Information), Budget, IDP, In-year Reports and AR	None		9.90%	0.00%	Refer to Page 18 of MFMA Circular No 71	
					Internally Generated Funds	1,418,144	-		
					Total Capital Expenditure	14,326,227	5,004,093		
2.	Own funded Capital Expenditure (Internally Generated Funds) to Total Capital Expenditure	(Own funded Capital Expenditure (Internally Generated Funds) / Total Capital Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, Notes to the Annual Financial Statements (Statement of Comparative and Actual Information), Budget, IDP, In-year Reports and AR	None		9.90%	0.00%	Refer to Page 18 of MFMA Circular No 71	
					Internally Generated Funds	1,418,144	-		
					Total Capital Expenditure	14,326,227	5,004,093		
3.	Own Source Revenue to Total Operating Revenue (Including Agency Revenue)	(Own Source Revenue (Total Revenue - Government Grants and Subsidies - Public Contributions and Donations) / Total Operating Revenue (including Agency Services)) x 100	Statement Financial Performance, Budget, IDP, In-year Reports and AR	None		29.58%	22.17%	Refer to Page 18 of MFMA Circular No 71	
					Total Revenue	41,046,701	35,187,555		
					Government Grant and Subsidies	31,860,499	29,040,322		
					Public Contributions and Donations	1,023,376	-		
					Capital Grants	13,449,283	7,454,006		
3. BUDGET IMPLEMENTATION									
A. Efficiency									
1.	Capital Expenditure Budget Implementation Indicator	(Actual Capital Expenditure / Budgeted Capital Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, In-year Reports and AR	95% - 100%		90.60%	0.00%	Refer to Page 19 of MFMA Circular No 71	
					Actual Capital Expenditure	14,326,227	-		
					Budgeted Capital Expenditure	15,812,101	31,231,182		
2.	Operating Expenditure Budget Implementation Indicator	(Actual Operating Expenditure / Budgeted Operating Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-year Reports and AR	95% - 100%		114.23%	126.58%	Refer to Page 20 of MFMA Circular No 71	
					Actual Operating Expenditure	34,131,771	27,928,945		
					Budgeted Operating Expenditure	29,880,490	22,064,913		
3.	Operating Revenue Budget Implementation Indicator	(Actual Operating Revenue / Budgeted Operating Revenue) x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-year Reports and AR	95% - 100%		86.34%	100.02%	Refer to Page 20 of MFMA Circular No 71	
					Actual Operating Revenue	41,046,701	35,187,555		
					Budgeted Operating Revenue	47,539,653	35,180,913		
4.	Service Charges and Property Rates Revenue Budget Implementation Indicator	(Actual Service Charges and Property Rates Revenue / Budgeted Service Charges and Property Rates Revenue) x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-year Reports and AR	95% - 100%		53.42%	78.09%	Refer to Page 21 of MFMA Circular No 71	
					Actual Service Charges and Property Rates Revenue	4,170,310	3,478,972		
					Budgeted Service Charges and Property Rates Revenue	7,806,495	4,454,947		
Interpretation of Results:									
	The green colour indicates that the result is within the norm and is acceptable.								
	The red colour indicates that the result is not acceptable and corrective actions/plans should be put in place to improve the results.								
	Data should be captured in the blue coloured cell to calculate a ratio.								
#	In situations where the results are not within the acceptable norm, corrective actions/plans should be taken and referenced.								